中國遠洋控股股份有限公司

China COSCO Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1919)

2012

ANNUAL REPORT

Important Notice

The Board of Directors, the Supervisory Committee, the Directors, Supervisors and Senior Management of China COSCO Holdings Company Limited (the "Company" or "China COSCO", together with its subsidiaries, the "Group") declare that there are no false information, misleading statements or material omissions in this report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

All directors of the Company attended the board meeting.

RSM China Certified Public Accountants, LLP. and PricewaterhouseCoopers have issued standard and unqualified auditors' reports for the Company.

The authorised person of the Company, Mr. Wei Jiafu (Chairman) and Mr. Jiang Lijun (Executive Director and President), Mr. Feng Jinhua who is in charge of accounting work (Chief Financial Officer) and accounting supervisor Mr. Tang Runjiang (General Manager of the Finance Department) declare that they confirm the truthfulness, accuracy and completeness of the financial reports in this report.

Is there any occupancy of non-operating funds by controlling shareholders or its related parties?
No.

Are there any guarantees provided to a third-party in violation of stipulated procedures?
No.

Forward-looking statements

Any forward-looking statements and opinions contained in this annual report do not constitute a commitment by the Company to the investors. Investors are advised to exercise caution when dealing in the shares of the Company.

Material risks warning

As the Group recorded a loss for the year 2011 and continued to record a loss for the year 2012, a delisting risk warning ("*ST") has been imposed on the A shares of the Company after the publication of the 2012 annual report of A shares of the Company pursuant to the requirements of the Shanghai Stock Exchange. In 2013, the operation of the Company may be adversely affected by the uncertainties in international shipping market, excessive shipping capacity and high oil prices.

In 2013, the Company will focus on increasing income, restructuring of businesses, improving management and controlling costs. The Company will implement all practical measures to improve the performance of the Company, facilitate the sustainable growth of the Company and protect the long term interest of shareholders after thorough study and research upon approval through standardized procedures.

For details, please refer to the section headed "Management Discussion and Analysis — Potential risks."

Contents

Company's Basic Information

Company Profile

I. Company's Information

Legal Chinese name	中國遠洋控股股份有限公司
Legal Chinese name abbreviation	中國遠洋
Legal English name	China COSCO Holdings Company Limited
Legal English name abbreviation	China COSCO
Legal representative	WEI Jiafu

II. Contact Persons and Methods

	Secretary to Board of Directors	Representative of securities affairs
Name	GUO Huawei	LIANG Hong, MING Dong
Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Telephone	(022) 66270898	(022) 66270898
Facsimile	(022) 66270899	(022) 66270899
E-mail	guohuawei@chinacosco.com	lianghong@chinacosco.com; mingdong@chinacosco.com

III. Basic Profile

Registered address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Place of business	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Company's website	www.chinacosco.com
Company's email	investor@chinacosco.com

IV. Information Disclosure and Place of Collection

Designated newspapers for disclosure of the Company's information	Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily
Website designated by the China Securities Regulatory Commission for publishing the A share annual report	www.sse.com.cn (Website for publishing the H share annual report: www.hkexnews.hk)
Place of collection of annual report	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC

Company's Basic Information

V. Shares in the Company

Shares in the Company

Type of share	Place of listing	Share abbreviation	Stock code	Share abbreviation before changes
A shares	Shanghai Stock Exchange	China COSCO	601919	N/A
H shares	Hong Kong Stock Exchange	China COSCO	1919	N/A

VI. Changes in Registration of the Company during the Reporting Period

(1) Basic information

Date of registration	5 January 2007
Registered address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Registration number of business license for enterprise legal person	100000400011790
Taxation registration number	Jin Di Shui Zi No.120116710933243
Entity number	710933243

(2) Related information of the first business registration of the Company

Please refer to 2007 to 2012 Annual Report for the details of the first business registration of the Company.

(3) Changes in major businesses of the Company since its listing

The Company was listed on SSE in 2007 and mainly engaged in container shipping, terminals and container leasing. The Company commenced engaging in logistics business in 2006 and dry bulk cargo shipping business in 2007. In present, the major businesses of the Company include container shipping, dry bulk cargo shipping, logistics, terminals and container leasing.

(4) Changes in controlling shareholder of the Company since its listing

There is no change in controlling shareholder of the Company.

VII. Other Information

Domestic auditor engaged by the Company	Name	RSM China Certified Public Accountants, LLP.
	Office address	3-9/F,West Tower of China Overseas Property Plaza, Building 7, No. 8,Yongdingmen Xibinhe Road, Dongcheng District, Beijing
	Signing accountant	Wang Hui and Wang You Juan
International auditor engaged by the Company	Name	PricewaterhouseCoopers
	Address	22nd Floor, Prince's Building, Central, Hong Kong
	Signing accountant	Hoi Iok Kei
	Place of business in Hong Kong 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong	
	Major bankers Bank of China, Agricultural Bank of China, China Merchants Bank	
Other information	Legal advisers as to Hong Kong law Paul Hastings 22/F, Bank of China Tower, 1 Garden Road, Hong Kong	
	Legal advisers as to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Beijing	
	Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building,166 Lujiazui Road East, Pudong New District, Shanghai	
	Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	

Chairman's Statement

Chairman's Statement

Dear Shareholders,

First of all, I would like to take this opportunity to express my heart-felt gratitude to all shareholders for your care and support to the Group. I also wish to extend my sincere gratitude to all directors, supervisors, members of the senior management and staff of our Group for their dedicated efforts during the year.

2012 was a challenging year for China COSCO. The international shipping market remained over-supplied. The Group implemented measures to boost incomes and reduce expenses, such as reforming marketing system, strengthening coordination among internal departments, centralizing procurement and enhancing benchmarking management. The above measures have yet to be proven successful. We are disappointed to record a significant loss in 2012 as a result of various factors, including oversupply in the market, low freight rate, high cost and imbalanced fleet composition.

In 2012, the Group's revenue was RMB88,329,138,000, representing an increase of 4.4% as compared with the corresponding period last year, and the profit attributable to equity holders of the parent company amounted to RMB-9,559,164,000, while that of the corresponding period last year was RMB-10,495,295,000. The Board did not recommend the distribution of final dividend due to the loss.

During the period under review, the shipping volume of the Group's container shipping and related business was 8,016,241 TEUs, representing an increase of 16.0% as compared to the corresponding period last year. Revenue from operations was RMB48,425,195,000, representing an increase of 17.0% as compared to last year. The operating result of the Company improved as the operating costs of containers decreased by 7.7% as compared to last year.

Although the freight rate of the container shipping market restored in 2012, the average rate for the year was unsatisfactory. The Group promptly adjusted its shipping routes and business network in response to market changes. It strengthened cooperation with alliances to strike a balance between imports and exports. Efforts were made for its marketing reform to extend service coverage. Freight rate restoration plan was implemented through better management on suppliers and tightened control over bunker cost. In particular, the Group's effective measures in improving punctuality were recognized by customers.

As at 31 December 2012, the Group took delivery of 14 new container vessels with an aggregate capacity of 94,986 TEUs. After the chartered-out capacity, the shipping capacity of the Group increased by 13.3% as compared to last year. There was no new vessel order placed in 2012. As at 31 December 2012, the Group had 18 outstanding container vessel orders, representing a total of 149,330 TEUs.

During the period under review, the shipping volume of the Group's dry bulk shipping business amounted to 224.56 million tons, representing a decrease of 14.55% over the corresponding period last year. Dry bulk shipment turnover was 1.13 trillion tonnautical miles, representing a decrease of 14.31% as compared with the corresponding period last year. Operating income amounted to RMB16,026,866,000, representing a decrease of 31.4% over the corresponding period last year. As the freight rate remained low, the revenue generated from the shipping business further decreased and recorded loss, and the rental for vessels leasing was high, the loss in dry bulk vessels shipping business further increased, which was the major factor affecting the performance of the Company.

Chairman's Statement

In 2012, the dry bulk shipping market was exceptionally sluggish. The annual average Baltic Dry Index (BDI) hit a record low of 920 points, representing a significant decrease of 40.6% as compared to 1,549 points of 2011. To cope with the unfavorable market conditions, the Group optimized the shipping capacity, improved efficiency and reduced operating costs. Through the expansion of sales network and enhancement in marketing efforts, the proportion of cargos with higher margins of the Group increased steadily. In addition, the Group took various measures targeting the vessels with high rental in order to minimize loss.

As at 31 December 2012, the Group operated 332 dry bulk vessels (30,073,395 DWT), representing a decrease of 10.1% as compared to last year. The decrease was mainly due to the significant decrease in shipping capacity. As at 31 December 2012, the Group had 16 dry bulk vessel orders, representing a total of 1,510,000 DWT.

During the period under review, the revenue of logistics business amounted to RMB20,311,971,000, representing an increase of 18.1% as compared to last year. The third party logistics maintained its steady growth and engineering logistics and chemical logistics also grew steadily.

During the period under review, COSCO Pacific Limited ("COSCO Pacific"), a subsidiary of the Group, maintained satisfactory profitability and its terminal and container leasing business grew steadily. The terminal throughputs grew steadily. The container throughputs increased by 9.8% to 55,685,225 million TEUs, accounting for 9.0% of the global market share. The Group continued to rank among the five largest container terminal operators. As for container leasing, the scale of the container fleet of Florens, a subsidiary of the Group, reached 1,855,597 TEUs, representing an increase of 4.4% as compared to the corresponding period last year. It remains as the fourth largest global container leasing company and its leasing rate was higher than the market average level.

Looking forward to 2013, the global economic recovery will still be uncertain and will fluctuate due to the prolonged effects of the financial crisis. In respect of the shipping industry, the growth of global shipping capacity will still exceed that of the demand and will result in excessive supply. It is expected that the market condition of 2013 will be challenging, but it may show improvement as compared to that of 2012. In respect of container shipping business, the growth of global demand of containers will increase from 3.7% of 2012 to 6.1%. The problem of oversupply will still be unsolved but the situation will improve as the difference between supply and demand will reduce. In respect of dry bulk cargo shipping, the problem of excessive supply will be less severe as the growth of shipping capacity will slow down significantly.

The Group is aware of the challenges and risks ahead. It will further reform itself to rectify its defects and reduce losses of its shipping business to achieve a turnaround. For container shipping business, we will restructure the routes and refine the product design based on the market situation. The Group will strengthen the marketing and sales and solidify the base of cargo sources to restore the freight rate steadily. The procedural control will be enhanced to ensure all liners run on schedule, so as to improve the quality of services and the satisfactory of customers. In addition, the Group will strengthen the control of costs, in particular the bunker costs. For dry bulk cargo shipping, we aim to minimize the loss and secure the ongoing operation capability. The Group will enhance the capacity of market research and steadily increase the ratio of cargo with high quality. The Group will also strategically arrange the shipping routes to improve operation efficiency. Through restructuring and refining the shipping capacity in time, the Group will further reduce rent for shipping capacity with high costs and curb operational costs. The Group will reduce costs and enhance its efficiency while minimizing the loss, so as to facilitate the sustainable growth of the Group. For other businesses, the Group will further capitalize its competitive advantage to increase its profit.

In response to the unfavourable condition, the Group will continue to explore opportunities for its current and future operations. The Company will seize the opportunities in the market and strengthen the risk prevention capacity to pursue sound and sustainable growth. The Company will fully capitalize on the resources advantages brought by the COSCO Group and the role as the capital platform of the COSCO Group by implementing measures which are favourable to its operating results, sustainable development and protection of shareholders' interests in a long run after prudent research, sufficient discussion and approval upon standardized procedures.

Wei Jiafu
28 March 2013

Summary of Accounting Data

Results for the year ended 31 December 2012 prepared under the Hong Kong Financial Reporting Standards ("HKFRSs")

	Year ended 31 December 2012 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Changes
Revenues	**88,329,138**	84,639,178	4.4%
Operating loss	**(7,521,028)**	(10,296,012)	-27.0%
Loss before income tax expenses	**(7,397,345)**	(7,854,229)	-5.8%
Loss attributable to equity holders of the Company	**(9,559,164)**	(10,495,295)	-8.9%
Basic and diluted loss per share (RMB)	**(0.9357)**	(1.0273)	-8.9%
Final dividend per share (RMB)	**—**	—	—
Final dividend payout ratio	**—**	—	—
Total assets	**165,207,909**	157,458,885	4.9%
Total liabilities	**123,510,388**	107,288,432	15.1%
Non-controlling interests	**16,560,635**	15,475,167	7.0%
Equity attributable to the equity holders of the Company	**25,136,886**	34,695,286	-27.5%
Net debt to equity ratio	**112.4%**	59.9%	87.6%
Gross loss margin	**-2.5%**	-5.8%	-56.9%

Management Discussion and Analysis

I. Discussion and Analysis of the Board Regarding the Operation of the Company During the Reporting period

2012 was a challenging year for China COSCO. The international shipping market remained over-supplied. The Company implemented measures to boost income and reduce expenses, such as reforming marketing system, strengthening coordination among internal departments, centralizing procurement and enhancing benchmarking management. The above measures have yet to be proven successful. We are disappointed to record a significant loss in 2012 as a result of oversupply in the market, low freight rate, high cost and imbalanced fleet composition.

In 2012, the Group's revenue was RMB88,329,138,000, representing an increase of 4.4% as compared with the corresponding period last year, and the profit attributable to equity holders of the parent company amounted to RMB-9,559,164,000, while that of the corresponding period last year was RMB-10,495,295,000.

Management Discussion and Analysis

(I) Analysis of major businesses

1. Table of movement analysis for the related items in the consolidated income statement and cash flow statement

Unit: RMB'000

Items	Current period	Corresponding period of last year	Changes (%)
Revenues	88,329,138	84,639,178	4.4
Cost of services and inventories sold	(90,546,817)	(89,586,526)	1.1
Selling, administrative and general expenses	(5,237,137)	(5,541,328)	-5.5
Finance income	855,515	916,380	-6.6
Finance costs	(2,479,957)	(1,733,691)	43.0
Net related exchange gain	37,469	1,199,103	-96.9
Net cash used in operating activities	(5,206,347)	(4,875,968)	6.8
Net cash used in investing activities	(9,281,711)	(5,695,800)	63.0
Net cash generated from financing activities	13,855,783	11,706,955	18.4
R&D expenses	35,913	26,819	33.9

2. Revenues

(1) Analysis of reasons for the changes in revenues

The amounts set out in the following financial analysis and descriptions in the Directors' Report are in RMB unless otherwise specified.

In 2012, the Group's operating revenue amounted to RMB88,329,138,000, representing an increase of RMB3,689,960,000 or 4.4% as compared to RMB84,639,178,000 in the corresponding period of the previous year. Among which:

Container shipping

Revenue from container shipping and related business amounted to RMB48,425,195,000, representing an increase of RMB7,019,219,000, or 17.0%, as compared to the corresponding period of the previous year. In 2012, container shipping volume amounted to 8,016,241 TEUs, representing an increase of 16.0% as compared to the corresponding period of the previous year. Average container freight rate amounted to RMB5,003.30 per TEU, representing an increase of 4.2% as compared to the corresponding period of the previous year. The increase in revenue from container shipping and related business was attributable to the increase in capacity and average freight rate. Higher capacity and average freight rate of Asia-Europe and trans-Pacific routes as compared to the corresponding period of the previous year boosted the increase in their revenue by 30.7% and 21.5%, respectively.

As at 31 December 2012, 14 new container vessels were delivered for operation with an aggregate capacity of 94,986 TEUs. As at 31 December 2012, the Group operated 174 container vessels with a total capacity of 756,979 TEUs. Excluding the chartered-out capacity, the shipping capacity operated by the Group increased by 13.3% as compared to last year. There was no new vessel order placed in 2012.

As at 31 December 2012, the Group had 18 container vessel orders, representing a total of 149,330 TEUs.

Shipping volumes by routes

Routes	Year ended 31 December		
	2012 (TEUs)	2011 (TEUs)	Changes (%)
Trans-Pacific	**1,761,817**	1,604,708	9.8
Asia-Europe (including the Mediterranean region)	**1,792,021**	1,475,582	21.4
Intra-Asia (including Australia)	**1,984,118**	1,712,177	15.9
Other international (including Trans-Atlantic routes)	**322,332**	269,798	19.5
PRC	**2,155,953**	1,847,776	16.7
Total	**8,016,241**	6,910,041	16.0

Revenues by routes (RMB)

Routes	Year ended 31 December		
	2012 ('000)	2011 ('000)	Changes (%)
Trans-Pacific	**14,863,446**	12,229,736	21.5
Asia-Europe (including the Mediterranean region)	**12,066,778**	9,229,445	30.7
Intra-Asia (including Australia)	**7,318,189**	6,401,974	14.3
Other international (including Trans-Atlantic routes)	**1,700,576**	1,566,446	8.6
PRC	**4,158,679**	3,751,478	10.9
Subtotal	**40,107,668**	33,179,079	20.9
Chartering	**284,550**	343,298	-17.1
Related business	**8,032,977**	7,883,599	1.9
Total	**48,425,195**	41,405,976	17.0

Dry bulk shipping

Revenue from the dry bulk shipping and related business amounted to RMB16,026,866,000, representing a decrease of RMB7,323,247,000, or 31.4%, as compared to the corresponding period of the previous year. In 2012, the average level of the BDI was merely 920 points, representing a drop of 40.6% as compared to 1,549 points in 2011. In addition, the shipping capacity decreased from 374 vessels as at the end of 2011 to 332 vessels. The further decline of freight rates and the decrease in shipping capacity, has resulted in a significant decrease in the revenue from dry bulk shipping and related business as compared to the corresponding period of the previous year.

During the year under review, the shipping volume of the dry bulk shipping business reached 224.56 million tons, representing a decrease of 14.55% as compared with the corresponding period last year. Dry bulk shipment turnover was 1.13 trillion ton-nautical miles, representing a decrease of 14.31% as compared with the corresponding period last year, of which the shipping volume of coal, iron ore and other cargoes amounted to 82.62 million tons, 97.26 million tons and 44.68 million tons respectively, representing a decrease of 9.29%, 16.62% and 18.9% as compared with the corresponding period last year, respectively.

As at 31 December 2012, the Group operated 332 dry bulk vessels (30,073,395 DWT). As at 31 December 2012, the Group had 16 dry bulk vessel orders, representing a total of 1,510,000 DWT.

		January to December of 2012	January to December of 2011	Changes %
Shipping volumes by routes (tons)	International shipping	**194,883,131**	227,471,259	-14.33
	PRC coastal shipping	**29,677,552**	35,333,004	-16.01
Shipping volumes by cargo type (tons)	Coal	**82,624,323**	91,085,087	-9.29
	Iron ore	**97,257,639**	116,638,031	-16.62
	Food	**24,444,028**	27,487,823	-11.07
	Others	**20,234,693**	27,593,322	-26.67
shipment turnover (thousand ton-nautical miles)		**1,132,222,950**	1,321,310,596	-14.31

Logistics

Revenue from logistics business amounted to RMB20,311,971,000, representing an increase of RMB3,119,460,000, or 18.1%, as compared to the corresponding period of the previous year. The increase was mainly attributable to the increase in revenue from third party logistics. Of which, the revenue from logistics business increased by RMB2,459,857,000 to RMB5,419,084,000 due to the expansion of supply chain logistics business. Business volume of the logistics business is set out in table below:

	2012	2011	Changes %
Home appliance logistics ('000)	**84,758**	80,560	5.2
Chemical logistics (tons)	**4,397,078**	3,038,409	44.7
Project logistics (RMB million)	**1,913**	1,270	49.9
Shipping agency business (vessels)	**90,404**	94,621	-4.5
Ocean-freight bulk cargoes forwarding ('000 tons)	**212,993**	204,616	4.1
Ocean-freight containers forwarding (TEUs)	**2,437,342**	2,478,911	-1.7
Air-freight forwarding (tons)	**121,137**	111,185	8.9

Terminal and related business

Revenue from the terminal and related business amounted to RMB2,322,654,000, representing an increase of RMB575,960,000, or 33.0%, as compared to the corresponding period of the previous year. The throughput of Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal were 2,108,090 TEUs (2011: 1,188,148TEUs) and 4,230,574 TEUs respectively (2011: 3,914,348 TEUs), and resulted in an increase in revenue of RMB193,540,000 and RMB 138,886,000 as compared to the corresponding period of the previous year, respectively.

Breakdown of terminal throughputs

Terminal throughputs (TEUs)	2012	2011	Changes %
Bohai Rim Region	**21,747,801**	19,080,645	14.0
Yangtze River Delta	**8,219,406**	7,599,938	8.2
Pearl River Delta and Southeast Coastal regions	**18,412,644**	17,305,507	6.4
Overseas	**7,305,374**	6,709,807	8.9
Total throughputs	**55,685,225**	50,695,897	9.8

Container leasing business

Revenue from the container leasing business amounted to RMB1,225,516,000, representing an increase of RMB293,459,000, or 31.5%. The revenue from container leasing as a result of container fleet expansion increased by RMB140,227,000 to RMB949,649,000. During the year, the number of returned containers sold upon expiry of lease amounted to 32,000 TEUs (2011: 10,000 TEUs), leading to an increase of RMB151,011,000 in revenue.

(2) Major customers

In 2012, the revenues and percentage of total revenues to top five customers of the Group are as follows:

Unit: RMB

Total revenues to top five customers	2,965,755,000
Total revenues of the Company for the year	88,329,138,000
Percentage to the total revenues of the Company for the year	3.4%

3. Cost of services and inventories sold

(1) Costs analyzing table

Unit: RMB'000

Costs by businesses

Business	Component of costs	Current period	Percentage over total costs for the current period (%)	Corresponding period of last year	Percentage over total costs for the corresponding period of last year (%)	Changes in amount over last year (%)
Container shipping and related business	Equipment and cargo transportation costs	16,824,773	18.6	15,402,798	17.2	9.2
	Voyage costs	15,240,237	16.8	13,828,595	15.4	10.2
	Vessel costs	7,251,352	8.0	7,180,350	8.0	1.0
	Others	7,715,417	8.5	7,497,485	8.4	2.9
	Subtotal	47,031,779	51.9	43,909,228	49.0	7.1
Dry bulk shipping and related business	Voyage costs	7,532,252	8.3	7,430,476	8.3	1.4
	Vessel costs	12,259,467	13.6	17,361,341	19.4	-29.4
	Others	2,201,942	2.4	2,706,099	3.0	-18.6
	Subtotal	21,993,661	24.3	27,497,916	30.7	-20.0
Logistics	Third party logistics	8,642,850	9.5	5,791,982	6.4	50.2
	Shipping agency	273,355	0.3	243,368	0.3	12.3
	Freight forwarding	9,132,013	10.1	9,131,757	10.2	0.0
	Others	410,516	0.5	340,736	0.4	20.5
	Subtotal	18,458,734	20.4	15,507,843	17.3	19.0
Container terminal and related business	Operational costs of container terminal and related business	1,694,699	1.9	1,409,379	1.6	20.2
Container leasing business	Operational costs of container leasing business	959,697	1.1	798,619	0.9	20.2
Other businesses	Other operational costs	2,391	0.0	3,265	0.0	-26.8
Tax		405,856	0.4	460,276	0.5	-11.8
Total operational costs		90,546,817	100.00	89,586,526	100.00	1.1

In 2012, the operational cost of the Group amounted to RMB90,546,817,000, representing an increase of RMB960,291,000, or 1.1% as compared to RMB89,586,826,000 of 2011. Of which:

The operational cost of container shipping and related business amounted to RMB47,031,779,000, representing an increase of RMB3,122,551,000, or 7.1%, as compared to the corresponding period of the previous year. During the year, due to the increase in oil consumption for expanded shipping volume as well as higher oil prices, the bunker costs during the year amounted to RMB12,386,382,000, representing an increase of RMB1,239,052,000 or 11.1% as compared to the corresponding period of the previous year. The bunker costs accounted for 26.3% of the operational costs of container shipping and related business (2011: 25.4%). Cargo and transshipment charges increased correspondingly along with the increase in shipping volume.

Total operational cost of dry bulk shipping and related business amounted to RMB21,993,661,000, representing a decrease of RMB5,504,255,000, or 20.0%, as compared to the corresponding period of the previous year. Of which, the capacity of chartered-in vessels further reduced during the period whereas the charter cost amounted to RMB8,310,470,000, representing a decreased of RMB5,209,702,000, or 38.5%, as compared to the corresponding period of the previous year. These were the major reasons for the decrease in costs during the period. In addition, the reversal of provisions for onerous contracts during the period amounted to RMB1,349,120,000, representing an increase of RMB185,145,000 as compared to the reversal of RMB1,163,975,000 as in the corresponding period of the previous year.

The operational cost of the logistics business amounted to RMB18,458,734,000, representing an increase of RMB2,950,891,000 or 19.0% as compared to the corresponding period of the previous year. The increase was mainly attributable to the increase in cost of third party logistics. Of which, the operational costs of the supply chain logistics business increased by RMB2,452,914,000 to RMB5,338,400,000 due to its business expansion.

The operational cost of terminal and related business amounted to RMB1,694,699,000, representing an increase of RMB285,320,000 or 20.2% as compared to the corresponding period of the previous year. The increase of operational cost was attributable to the increase in business volume of controlling terminals and the commencement of operation of Xiamen Ocean Gate Container Terminal in May 2012.

The operational cost of container leasing business amounted to RMB959,697,000, representing an increase of RMB161,078,000 or 20.2% as compared to the corresponding period of the previous year. The increase was mainly due to the expansion of container fleets and the increase of returned containers sold upon expiry of lease during the period.

(2) Major suppliers

In 2012, the amount of purchases and percentage of total purchases from top five suppliers of the Group are as follows:

Unit: RMB

Total amount of purchases from top five suppliers	19,736,373,000
Total purchases of the Company for the year	90,546,817,000
Percentage to the total purchases for the year	21.8%

4. Expenses

Sales, administrative and general expenses

In 2012, the sales, administrative and general expenses of the Group amounted to RMB5,237,137,000, representing a decrease of RMB304,191,000 or 5.5% as compared to the corresponding period of the previous year. Of which, the staff costs amounted to RMB3,421,261,000, representing a decrease of RMB201,806,000, or 5.6%, as compared to RMB3,623,067,000 in the corresponding period of the previous year. Other office expenses also decreased as compared to the corresponding period of the previous year.

Finance expenses

In 2012, the finance expenses of the Group amounted to RMB2,479,957,000, representing an increase of RMB746,266,000 as compared to RMB1,733,691,000 of the corresponding period of the previous year. The increase was mainly due to the increases in borrowings and loan interest rate.

Income tax expenses

In 2012, income tax expenses of the Group amounted to RMB740,096,000, representing a decrease of RMB290,940,000 as compared to RMB1,031,036,000 in 2011. During the period, deferred income tax expenses amounted to RMB193,899,000, representing a decrease of RMB372,491,000 as compared to the corresponding period of the previous year.

5. R&D expenses

(1) Breakdown of R&D expenses

Unit: RMB

R&D expenses for the current period	32,929,000
Capitalized R&D expenses for the current period	2,984,000
Total R&D expenses	35,913,000
Percentage of total R&D expenses over net assets attributable to the Parent Company (%)	0.14
Percentage of total R&D expenses over operating revenue (%)	0.04

(2) Description

In 2012, China COSCO developed the relevant technology for the Public Platform of Real-time Barge Monitoring and Management (駁船動態監控管理公共平台) and refrigerated containers, improved the Bulk Shipping Management System (BMS) and upgraded the Administrative System for Bulk Cargo Transportation on Roads (公路大件運輸決策系統). The Company also integrated the information of container transportation chain and studied the Technology Applications for Supply Chain Control (供應鏈控制塔技術應用). The research and development of loading and unloading products for cryogenic fluid has been launched, and the loading and unloading technology and equipment for cryogenic fluid has been recognized as a national patent and utility model.

In addition, China COSCO also started the research and development of Domestic Trading Service Platform to better serve its customers and launched various projects to strengthen its businesses such as the Development of Super Heavy Truck with Low Chassis.

6. Cash flow

As at 31 December 2012, cash and cash equivalents of the Group amounted to RMB46,336,793,000, representing a decrease of RMB625,932,000, or 1.3%, as compared to RMB46,962,725,000 as at 31 December 2011. As compared to 2011, the net increase in cash and cash equivalents declined by RMB905,437,000.

The net cash outflow from operating activities amounted to RMB5,206,347,000 in 2012, representing an increase of RMB330,379,000, or 6.8%, as compared to the net cash outflow of RMB4,875,968,000 in 2011.

The net cash outflow from investing activities amounted to RMB9,281,711,000 in 2012, representing an increase of RMB3,585,911,000, or 63.0%, as compared to the net cash outflow of RMB5,695,800,000 in 2011. Of which, progress payment for the construction of new vessels in 2012 increased as compared to the corresponding period of 2011, resulted in an increase of RMB2,847,523,000, or 33.3%, in cash paid for the purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets as compared to the corresponding period of the previous year. Net cash received from the disposal of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets decreased by RMB1,112,138,000, or 71.4%, as compared to the previous year, mainly attributable to COSCO Pacific sale and leaseback 111,189 TEU generating cash RMB1,278,724,000 during 2011.

In 2012, the net cash inflow from financing activities amounted to RMB13,855,783,000, representing an increase of RMB2,148,828,000, or 18.4%, as compared to the net cash inflow of RMB11,706,955,000 in 2011. During the period, subsidiaries of the Group entered into new long-term loans and a wholly-owned overseas subsidiary issued 10-year bonds with a principal amount of US$1,000,000,000 to institutional and professional investors, resulting in the increase in net cash inflow from financing activities as compared to the corresponding period of the previous year.

7. Others

(1) Details of major changes in the income structure and source of the Company

In 2012, profitability of the logistics business, terminal and related business and container leasing business remained stable, and operating losses in the container shipping market decreased significantly as compared to last year as a result of the recovery of freight rate and rising shipping capacity. The operating loss of container shipping and related business amounted to RMB1,528,555,000, representing a decrease of RMB4,830,337,000 in loss as compared to the operating loss of RMB6,358,892,000 in the corresponding period of the previous year. However, the dry bulk shipping market was sluggish. In 2012, the annual average Baltic Dry Index (BDI) was 920 points, representing a decrease of 40.6% as compared to 1,549 points in 2011. Influenced by the significant reduction in freight rates, the income from the dry bulk shipping and related business decreased by RMB7,323,247,000, or 31.4%, as compared to 2011. Though the operational cost decreased by RMB4,660,885,000, or 16.9%, as compared to the corresponding period of the previous year, the operating loss still recorded an increase of RMB2,349,803,000 as compared to the corresponding period of the previous year to an operating loss of RMB7,774,469,000. The operation efficiency of the dry bulk business further declined as compared to the corresponding period of 2011.

(2) Progress of the implementation of development strategy and operation plan

Container shipping business

During the reporting period, the container shipping business of Company took full advantage on its domestic advantages and focused on the domestic market. The Company further enhanced business cooperation. COSCO Container Lines Company Limited ("COSCON") and its business partners maintained close collaboration on approximately 30 shipping routes with approximately 200 vessels with shipping capacity of nearly 1.30 million TEUs, which expanded the routes coverage, reduced the cost and mitigated the operational risks. As for the advantage in information system, COSCON has established a sound IRIS-2 information system with its efforts over the years, and its SAP financial management system and Vessel Global Monitoring System became more sophisticated, which provided secured systems for the operation of the Company.

The container shipping volume of the Group achieved 8.02 million TEUs in 2012, outstripping the target of 7.3 million TEUs.

Dry bulk shipping business

In respect of the dry bulk shipping, China COSCO Bulk Shipping (Group) Co., Ltd. ("China COSCO Bulk Group"), a subsidiary of the Company, has established a large fleet and focuses on the development in China, which is the market with the fastest growth and highest potential in the world. The Company continued to improve the operation and management of dry bulk shipping and capitalized on its professional operation advantages by focusing on the fleet assets and operation of vessels. It optimized the seaman team by team expansion.

The dry bulk shipment turnover of the Group achieved 1.13 trillion ton-nautical miles in 2012, outstripping the target of 884.6 billion ton-nautical miles.

Logistics business

In respect of the logistic business, the Group continued to leverage on the brand advantage of COSCO Logistics Co., Ltd. ("COSCO Logistics") to improve the comprehensive competitiveness of the logistics business.

Terminal business

The Company has expanded the terminal business to cover the major domestic ports and certain overseas terminals and developed its brand in the market. Our influence in the market continued to increase. Profitability also maintained stable growth.

Expected additional operation capacities in 2012 was 5,150,000 TEUs while the actual additional operation capacities was 4,850,000 TEUs.

(II) Analysis of operations by industries, products and regions

For details, please refer to the segment statement and income statement by regions in the consolidated financial statements of the Group.

(III) Analysis of asset and liability

As at 31 December 2012, total assets of the Group was RMB165,207,909,000, representing an increase of RMB7,749,024,000 as compared to RMB157,458,885,000 at the beginning of the year. The total liabilities was RMB123,510,388,000, representing an increase of RMB16,221,956,000 as compared to RMB107,288,432,000 at the beginning of the year. The equity interest attributable to the equity holders of the Company was RMB25,136,886,000, representing a decrease of RMB9,558,400,000 as compared to RMB34,695,286,000 at the beginning of the year.

As at 31 December 2012, total outstanding loans of the Group was RMB93,204,251,000, representing an increase of RMB16,177,811,000 as compared to RMB77,026,440,000 at the beginning of the year. As at 31 December 2012, net current assets amounted to RMB22,700,463,000, representing an increase of RMB7,934,348,000 as compared to RMB14,766,115,000 at the beginning of the year. As at 31 December 2012, net debt amounted to RMB46,867,458,000, representing an increase of RMB16,803,743,000 as compared to RMB30,063,715,000 at the beginning of the year.

As at 31 December 2012, net debt to equity ratio was 112.4% as compared to 59.9% as at 31 December 2011. Interest coverage of the Group in 2012 was -2.03 times, as compared to -3.66 times in 2011. The Group has pledged certain property, plant and equipment with net book value of RMB28,380,747,000 (31 December 2011: RMB22,846,932,000) to banks and financial institutions as collaterals for total borrowings of RMB17,028,675,000 (31 December 2011: RMB14,704,974,000), representing 35.2% (31 December 2011: 31.3%) of the total value of property, plant and equipment.

Debt analysis

By category	**2012 RMB'000**	2011 RMB'000
Short-term borrowings	**5,253,237**	2,850,888
Long-term borrowings		
Within one year	**8,865,186**	18,861,850
In the second year	**29,321,009**	11,250,620
In the third to fifth year	**24,951,680**	26,676,764
After the fifth year	**24,813,139**	17,386,318
Subtotal	**87,951,014**	74,175,552
Total	**93,204,251**	77,026,440

Breakdown of borrowings by category:

The secured borrowings of the Group amounted to RMB17,028,675,000, while unsecured borrowings amounted to RMB76,175,576,000, representing 18.3% and 81.7% of the total borrowings, respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB65,509,758,000, borrowings denominated in RMB amounting to RMB26,450,741,000 and borrowings denominated in other currencies amounting to RMB1,243,752,000, representing 70.3%, 28.4% and 1.3% of the total borrowings, respectively.

Corporate guarantee and contingent liabilities

As at 31 December 2012, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB154,141,000 (31 December 2011: RMB177,684,000). Details of the Group's contingent liabilities are disclosed in note 36.

(IV) Analysis of core competitive edge

1. Analysis of competitive advantages

(1) Overall strength of major businesses leading the world

China COSCO is the capital platform of the COSCO Group and provides a wide range of services covering the whole shipping value chain, including container shipping, dry bulk cargo shipping, logistics, terminals and container leasing services to international and domestic customers, through its subsidiaries. Its container fleet ranked first in China and fourth among the world, its dry bulk cargo fleet was the top in the global market. The container throughputs in the ports invested by COSCO Pacific Limited ("COSCO Pacific") around the world ranked fifth globally. COSCO Logistics has been the first among the top 100 PRC logistics enterprises for five consecutive years.

(2) Worldwide recognition of COSCO brand with global service network

As the capital platform of the COSCO Group, China COSCO maintained its presence in China and expanded to the global market. With its advantages in market experience and international business, it continued to enhance its integrated capability in shipping. For container business, as at 31 December 2012, the fleet of COSCON comprised 174 vessels with the total capacity of 756,979 TEUs. With 162 ports for calling vessels in 49 countries and regions, it operated 84 international routes, 23 international branch routes, 23 coastal routes in China and 79 branch routes in the Pearl River Delta and the Yangtze River. COSCON has over 400 domestic and overseas sales and service outlets. With such wide coverage of sales and service network, the Group was able to provide "door-to-door" services to our customers.

"COSCO" brand has become an important intangible asset of COSCO. Vessels and containers containing the "COSCO" trademark are operating around the world and the trademark carries a symbolic representation of COSCO.

(3) Consolidated customer base and extensive strategic cooperation

The broad customer base of China COSCO is attributable to its services and brand recognition. The COSCO Group has put a great emphasis on the establishment of relationship and strategic cooperation with major customers by the signing of major and long term contracts. It has strengthened the expansion of overseas markets with enhanced cooperation for mutual benefit to ensure the stable increase of cargo sources. It has put emphasis on the emerging markets and new customers and has improved the composition of markets, cargo flow, cargo sources and customers.

The COSCO Group has put a great emphasis on the cooperation with competitors in the industry and has also exerted its efforts in cooperating with foreign invested companies and overseas ports and terminals. In 2008, the COSCO Group entered into concession agreement with Piraeus Port Authority S.A in Greece for the concession of containers terminal of the Piraeus Ports for a term of 35 years. The COSCO Group took over the containers terminal of Piraeus Ports in Greece on 1 October 2009 and started to make profits since September 2010. In October 2012, COSCON and China Shipping Container Lines Co., Ltd jointly commenced to operate shipping routes in the PRC container market targerting the shipping routes in Northeast, routes from Western China to Fujian and routes in Shantou.

(4) Continuous improving the business synergy and capitalising on the integration advantage of China COSCO

China COSCO has reduced costs and consumption, optimized integration of internal resources, controlled entire transportation chain and identified new competitive edges by leveraging it business synergy to maximise the overall interest of China COSCO. Its close business ties with enterprises of shipping, logistics, terminal, freight forwarding and container leasing industries are essential for the development of its complete business chain. Internal co-operation among COSCON, COSCO Logistics and COSCO Pacific as well as subsidiaries of China COSCO Bulk Group have been strengthened to provide customers with effective and high quality services and develop the world-class transportation services.

China COSCO has been successful in capitalising on its internal synergistic effects to bring win-win and multi-win results. During the negotiation with the CKYH alliance in respect of the calling vessels at terminals along cooperation routes, China COSCO has strived to call its vessels, and has coordinated with its partners for calling their vessels, at terminals invested by COSCO Pacific.

(V) Investment Analysis

1. Analysis of external equity investment

In 2012, the total external equity investment of the Group amounted to RMB509,855,139.17, representing an increase of 289,555,936.75, or 131.4%, as compared to RMB220,299,202.42 in 2011. The Group contributed additional investments of RMB31,659,650.00, RMB1,461,948.20 and RMB187,610,256.27 to Shenzhen COSCO Yantian Port Logistics Co., Ltd. (深圳市中遠鹽田港物流有限公司), Modern COSCO Logistics Co., Ltd. (Korea) (現代中遠物流有限公司(韓國)) and Ningbo Yuandong Terminals Limited (寧波遠東碼頭經營有限公司), respectively. The Group also invested in three new companies as follows:

Invested companies	Principal business	Proportion of the equity interest held in the invested companies (%)	Investment Costs
China Beihai Shipping Agency Co., Ltd （中國北海外輪代理有限公司）	Other ancillary activities of marine transportation	35	1,984,400.00
Xiamen Haicang Free Port Zone Container Inspection Co., Ltd. （廈門海滄保稅港區集裝箱查驗服務有限公司）	Cargo port	22.4	3,188,884.70
Zhenglong Investment Co., Ltd （政龍投資有限公司）	Cargo port	33.33	283,950,000.00

(1) Equity held in other listed companies

Unit: RMB

Stock code	Short name of securities	Initial investment cost	Percentage of equity in the company (%)	Book value as the end of the period	Gain/loss for the reporting period	Changes in owner's equity during the reporting period	Accounting item	Sources of shares
600428	COSCO Shipping	16,659,624.84	0.60	40,307,262.93	205,126.02	-1,461,522.89	Available-for-sale financial assets	Acquired by promotion
600018	Shanghai International Port	3,976,496.76	0.07	40,949,100.00	1,837,260.00	467,100.00	Available-for-sale financial assets	Purchased in secondary market
000792	Qinghai Salt Lake Industry	7,500,000.00	0.0669	28,513,752.80	170,231.36	-4,125,450.62	Available-for-sale financial assets	Acquired through exchange
601008	Jiangsu Lianyungang Port	1,760,418.44	0.22	6,243,120.00	52,421.48	211,140.00	Available-for-sale financial assets	Acquired by promotion
000039	CIMC	3,076,731,593.89	21.80	5,055,915,106.55	390,557,823.24	28,610,591.16	Long-term equity investments	Transferred/ purchased
601328	Bank of Communication	676,413.00	0.00069	2,523,569.36	51,084.40	176,241.18	Available-for-sale financial assets	Original legal person shares purchased
600821	Tianjin Quanyechang	99,300.00	0.02	348082.92		12,611.70	Available-for-sale financial assets	Original legal person shares purchased
000597	Northeast Pharmaceutical	200,000.00	0.01	780,390.38		-100,042.06	Available-for-sale financial assets	Original legal person shares purchased
600837	Haitong Securities	7,291,668.00	0.06	49,914,794.00	759,100.20	9,242,656.96	Available-for-sale financial assets	Acquired by promotion
002320	Hainan Strait Shipping	1,726,908.37	0.75	30,599,760.00	980,761.60	-4,946,717.76	Available-for-sale financial assets	Acquired by promotion
005880	KOREA LINE CORPORATION	36,994,114.97	1.6	6,748,984.73		-22,775,310.32	Available-for-sale financial assets	Other
	Total	3,153,616,538.27	/	5,262,843,923.67	394,613,808.30	5,311,297.35	/	/

(2) Equity held in non-listed financial enterprises

Name of object held	Initial investment cost (RMB)	Number of shares held (shares)	Percentage of equity in the company (%)	Book value as at the end of the period (RMB)	Gain/loss for the reporting period (RMB)	Changes in owner's equity during the reporting period	Accounting item	Source of shares
Bank of Jiangsu Co., Ltd.	400,000.00	400,000.00	0.0044	400,000.00	32,000.00		Long-term equity investments	Original legal person shares purchased
Development Bank of Guangdong Co., Ltd.	250,000.00	125,905.00	0.0008	425,800.00			Long-term equity investments	Acquired by promotion
COSCO Finance Co., Ltd.	435,240,000.00	612,000,000.00	38.25	827,576,832.42	88,469,453.49		Long-term equity investments	Acquired by promotion
Total	435,890,000.00	612,525,905.00	/	828,402,632.42	88,501,453.49		/	/

Note: The subsidiary of the Group is interested in Haitong Securities, which is an A-share company listed on the Shanghai Stock Exchange with a total of 8,228,000,000 shares. As at 25 May 2011, the Group held 5,060,668 shares in Haitong Securities, accounting for 0.062% of the share capital. In 2011, Haitong Securities convened the shareholders' general meeting and approved its proposal to issue its H share in Hong Kong upon the approval of the SASAC (Guo Zi Chan Quan [2011] No. 1197). According to the Provisional Measures on the Administration of the Reduction of the State-owned Shares for Financing Social Security Funds (減持國有股籌集社會保障資金管理暫行辦法) (Guo Fa [2001] No. 22), state-owned shareholders shall reduce certain amount of state-owned shares for financing social security funds at nil consideration in the case of issuing H share. As at July 2012, the Group transferred 190,932 shares to the social security funds at nil consideration, subsequent to which the Group held 4,869,736 shares in Haitong Securities.

2. Wealth management entrusted to non-financial companies and derivatives investments

Other wealth management and derivative investments

Unit: Yuan

Currency: RMB

Type of investment	Source of investment	Party of contract	Investment amount	Duration	Type of instrument	Estimated profit	Profit/ loss of investment	Litigation
Derivative investment	Not applicable	The Hongkong and Shanghai Banking Corporation Limited	1,257,100,000	10 years	Interest rate swap	58,823,111.62	51,449,873.39	Nil

3. Use of proceeds

(1) Overview

Unit: '000 million

Currency: RMB

Year	Method	Total amount of proceeds	Amount used in the year	Total amount used	Total amount of remaining proceeds	Use and purpose for remaining proceeds
2007	Initial offering	149 (net of commission fee)	0.35	149	0	/
2007	Issue of new shares	127.43 (net of commission fee)	0	127.43	0	/
Total	/	276.43	0.35	276.43	0	/

Notes: (1) The total amount of proceeds amounted to RMB28.107 billion, including RMB15.127 billion from the initial offering of A shares and RMB12.98 billion from the placing of A shares. After deducting the commission fee, the net proceeds amounted to RMB27.643 billion.

(2) In June 2005, the new H shares issued by the Company were listed on the Hong Kong Stock Exchange and the proceeds raised amounted to RMB8,817,797,000. Such proceeds were used for capital expenditure, enhancing "door-to door" services platform, repayment of loans, working capital and general corporate purpose as described in the prospectus of H shares of the Company.

(2) Use of proceeds for projects under capital commitment

Unit: '000 million

Currency: RMB

Projects under capital commitment	Changes	Proposed investment from proceeds	Investment from proceeds in the year	Total investment from proceeds	Progress achievement	Progress	Expected revenue	Revenue	Achievement of expected revenue	Explanation for progress and revenue not achieved	Reason of change and the explanation for the revised procedure of use of proceeds
Investment and logistics project of COSCO Logistics	Nil	4.01	4.01	Note	Note	Note	Note	Note	Note	/	/
Total	/	4.01	4.01	/	/	/	/	/	/	/	/

Note: Investment and logistics project of COSCO Logistics: The construction of warehousing and distribution center of COSCO Logistics Warehousing & Distribution Co., Ltd. in Shenyang was postponed due to the delay of approving procedures of the government. The construction has commenced in August 2011 and is expected to be completed at the end of August 2013. The internal yield after tax of such project is expected to be 9.19%

4. Analysis of principal subsidiaries and joint stock companies

The following is stated according to the audited financial report of A shares of the Company.

COSCO Container Lines Company Limited ("COSCON"), a wholly-owned subsidiary of China COSCO, is mainly engaged in international and domestic container shipping services and related businesses. Its registered capital is RMB6,088,763,082.00. As at 31 December 2012, its total asset and total equity amounted to RMB52,010,867,495.75 and RMB2,798,543,624.46, respectively. Total equity attributable to equity holders of the parent company amounted to RMB2,549,224,705.12 (31 December 2011: RMB4,793,234,069.30). Revenue, operating profit and net profit in 2012 were RMB43,168,523,309.58, RMB-2,511,097,909.03 and RMB-2,243,941,715.58, respectively. Net profit attributable to equity holders of the parent company amounted to RMB-2,279,578,290.04 (2011: RMB-6,077,678,591.30).

China COSCO Bulk Group, a wholly-owned subsidiary of China COSCO established in 2011, wholly owns equity interests of three professional dry bulk shipping companies, namely COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk"), COSCO (Hong Kong) Shipping Co., Ltd. (and Shenzhen Ocean Shipping Company Limited) and Qingdao Ocean Shipping Co.,Ltd., which were originally held by China COSCO, after reorganization. As at 29 March 2012, the 6th meeting of the third session of the Board of Directors considered and approved the resolution for the loan transfer of RMB14.27 billion receivable from the China COSCO Bulk Group as capital injection. The transfer was completed during the period. China COSCO Bulk Group mainly provides customers with cargo transportation service of dry bulk cargo such as grain, minerals, coal, chemical fertilizer, steel, timber, agricultural products and cement. Its current registered capital is RMB25,968,025,394.50. As at 31 December 2012, its total asset and total equity amounted to RMB45,622,492,739.06 and RMB9,976,362,142.98, respectively. Total equity attributable to equity holders of the parent company amounted to RMB9,707,013,519.58 (31 December 2011: RMB3,562,402,545.07). Revenue, operating profit and net profit in 2012 were RMB16,097,808,595.26, RMB-6,105,788,231.35 and RMB-8,061,078,827.13, respectively. Net profit attributable to equity holders of the parent company amounted to RMB-8,075,976,817.13 (2011: RMB-6,851,243,463.17).

COSCO Logistics Co., Ltd., a wholly-owned subsidiary of China COSCO, positions itself as an "integrated logistics service provider" aiming at becoming the "best logistics service provider and shipping agency". Its subsidiaries mainly engage in shipping agency and related extension business, freight forwarding business (mainly including sea-freight and air-freight business), third party logistics business (mainly including project logistics business and product logistics business), transportation business and supporting business including warehouse and storage business. Its registered capital is RMB3,183,029,850. As at 31 December 2012, its total asset and total equity amounted to RMB12,708,226,682.02 and RMB6,259,838,392.97, respectively. Total equity attributable to equity holders of the parent company amounted to RMB5,901,272,286.78 (31 December 2011: RMB5,359,485,456.10). Revenue, operating profit and net profit in 2012 were RMB9,275,402,703.00, RMB796,358,828.17 and RMB608,283,512.15, respectively. Net profit attributable to equity holders of the parent company amounted to RMB528,742,466.66 (2011: RMB527,664,806.32).

COSCO Pacific Limited ("COSCO Pacific") and its subsidiaries are principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, container manufacturing, and their related businesses. COSCO Pacific is a company incorporated in Bermuda with limited liability whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). On 31 December 2012, COSCO Pacific is owned as to 43.21% by China COSCO. As at 31 December 2012, the authorized share capital of COSCO Pacific was HK$400,000,000 and its issued share capital and paid-up capital was HK$278,605,200.20. As at 31 December 2012, total asset and total equity of COSCO Pacific amounted to RMB46,291,412,868.92 and RMB26,494,485,527.92, respectively. Total equity attributable to equity holders of the parent company amounted to RMB24,839,054,505.84 (31 December 2011: RMB22,844,499,725.18). Revenue, operating profit and net profit in 2012 were RMB4,738,498,015.60, RMB2,389,073,289.98 and RMB2,233,549,060.14, respectively. Net profit attributable to equity holders of the parent company amounted to RMB2,156,090,594.57 (2011: RMB2,506,590,627.22).

5. Projects financed by funds not raised through financing activities

Unit: '000 million

Currency: RMB

Name	Amount	Progress	Amount invested for the year	Accumulated investment mode	Revenue
Construction of 8 new dry bulk vessels of 20 million ton	US$6.128	80% paid	0	4.9024	6 vessels have been delivered and the remaining vessels are under construction
Construction of 16 new container vessels of 4,250 TEU	US$10.8128	82.5% paid	4.59544	8.92056	10 vessels have been delivered and the remaining vessels are under construction
Construction of 4 new container vessels of 4,250 TEU	US$2.78	40% paid	0.556	1.112	Under construction
Construction of 8 new container vessels of 13,350 TEU	US$13.344	35% paid	2.0016	4.6704	Under construction
Construction of 4 new Changjiang coastal special vessels of 50,000 ton	7.7	75% paid	1.925	5.775	1 vessel has been delivered and the remaining vessels are under construction
Construction of 4 new Huanan coastal special vessels of 65,000 ton	7.92	65% paid	1.584	5.148	Under construction
Xiamen Ocean Gate Container Terminal project	45.23	The terminal has commenced operation in May 2012	8.03	32.82	As terminal business is in the initial stage, a loss of RMB97 million was incurred as at 31 December 2012.
Total		/	/	/	/

Total investment of Xiamen Ocean Gate Container Terminal project amounted to RMB 4,523 million. Its total registered capital was RMB 1,397 million, 70% of which is held by COSCO Pacific.

II. Discussion and analysis of the Board of Directors concerning the future development of the Company

(I) Competition in the industry and development trend

Container shipping segment

Competition

Since the financial crisis, competition landscape of the container shipping industry experienced tremendous change. Firstly, the scale of container fleets kept expanding. Secondly, importance of container hubs increased due to the concentration of ports of call. Thirdly, liner industry is more concentrated. In addition, liner companies adopted various innovative competition strategies, including adjusting the distribution of large vessel capacity, increasing number of vessels while reducing speeds, suspension, reforming sales methods, expanding or diversifying value-added services and customized services, strengthening synergy with upstream and downstream industries, optimising asset portfolio and adjusting business models to cater for the industrial chain. With the efforts of the whole industry, overall operating environment of the container shipping industry in 2012 significantly improved.

Management Discussion and Analysis

Market outlook

The container market for 2013 remains challenging. According to the forecast by Clarkson, the capacity of global container fleet will increase by 7.0% in 2013, up by 1.1 percentage points over 2012. In 2013, the growth rate of the global demand for container shipping will increase from 3.4% in 2012 to 6.1%. Despite the unsolved excessive shipping capacity, the gap between the demand and supply was narrowed. Although the demand and supply of market capacity remains imbalanced, it is expected that the market freight rates in 2013 are unlikely to drop significantly.

Development trend

The concentration of container market will become flexible in line with the change in market condition and the balance between supply and demand. Extended application of new technologies will reduce costs for liner companies. However, fuel and other operation expenses will remain high. The greatest uncertainty of the industry is whether the economic recovery of Europe and the US will continue and whether the container shipping business will maintain its high market concentration upon the improvement of its results.

Dry bulk shipping segment

Competition

The competition landscape of the dry bulk market has undergone significant changes. The leading position of traditional ship owners has been threatened by the business diversification of ship owners. The buyers base has been enlarged.

The major competitors in dry bulk market include ship owners and cargo owners. Cargo owners, such as overseas large mines, traders and domestic large energy enterprises, control part of the shipping capacity by leveraging on their advantages and has invested in shipbuilding. The model of shipper as shipowners or cargo owners as shipowners has gained importance in the shipping market and the competition in traditional shipping market has been changed accordingly.

Market outlook

In respect of the growth of supply and demand, the gap between supply and demand of capacity in 2013 will be narrower than that of 2012. In 2013, the growth of dry bulk shipping demand will remain slow. According to Clarksons, the demand of dry bulk commodity shipping will increase by 5%, representing a decrease of 1 percentage point. In addition, the growth of of dry bulk shipping capacity supply will significantly decrease from 10% of 2012 to around 7% of 2013, which will relieve the severe oversupply of shipping capacity. The market performance in 2013 may slightly improve from that of 2012. However, affected by the delivery rush over the years,the oversupply in dry bulk market remains unsolved.

Development trend

Dry bulk vessels fleet will adopt vessels for energy saving and environmental-friendly franchised operation. Shipowners will have to build energy saving vessels due to the high bunker costs. The high concentration of cargos will result in the development of large-scale vessels and franchised operation of dry bulk vessels fleet.

Innovation of shipping business model will continue. As the downturn of shipping market continues, shipping companies will maintain close cooperation to overcome difficulties and build up alliances and joint ventures in different forms. Efforts will be made to minimise operational risks, fulfil the demand of users, reduce costs, and achieve economy of scale.

"Professional integrated logistics solution" has become the basis for future development. Aside from pricing competition, the segment will also encounter competition on differentiated services and innovative services with a view to providing customers with high quality services at low costs. As such, the market competition will be enhanced to a new level.

Port Segment

Competition

The four largest container port operators in the world maintained their leading positions in terms of the number of ports, distribution and profitability. Apart from reinforcing their existing port markets in Europe and the US, business of these operators grew rapidly in emerging markets such as Asia, Africa and South America. Certain emerging port operators are focusing on their expansion in the global port market and have remarkable development potential.

Market outlook

In 2013, the prospect of global ports will have a huge difference. The performance of European ports is expected to remain sluggish due to the impacts of the economic slowdown. Meanwhile, as the US economy will recover, the throughputs of ports in the US will slightly increase than in 2012. In Asia, the general economic development will be satisfactory and the growth of ports will be more significant than ports in the North America and Europe. The growth of ports in Shanghai, Hong Kong, Singapore and Shenzhen will be steady, remaining the largest container ports in the global market. Certain ports of emerging markets will also grow rapidly.

In 2013, domestic throughputs in the ports will grow steadily at a slower rate than that in 2011. In the second half of 2012, the Chinese government has implemented certain policies and measures to maintain steady growth timely and launch various large infrastructure projects to stimulate economic growth, resulting in steady growth in exports and faster growth in imports and laying a good foundation for the steady growth in 2013.

Development trend

As competition between ports will intensify, major ports around the world will carry out expansion and renovation in order to secure their leading position among regional ports in the future. Due to the significant slowdown of the global economic growth, port operators will focus their development on emerging markets with rapid growth.

Logistics segment

Competition

Competition among domestic logistics companies will intensify as the growth of the logistics industry continues. Coupled with the enhancement and support measures of the PRC government, the development of the logistics industry will accelerate.

Market outlook

In 2013, the logistics industry will maintain its rapid growth, though not as fast as the development pace prior to 2011. In 2013, the cost of the logistics industry of China is expected to reduce.

Development trend

The future of the logistics niche market segments is full of opportunities. Home appliance logistics and air logistics will maintain steady development, while chemicals, e-commerce, cold-chain and railway markets will develop rapidly. Looking forward, e-commerce is expected to boost the development of the logistics industry.

(II) Development strategy

The Group will capitalize on the capacity of China COSCO, as a listed company, to develop its flagship fleet. Rational control over fleet size will be adopted while shipping capacity structure will be optimised for the healthy and sustainable development of the shipping business. The Group will also carry out the terminal business through COSCO Pacific and continue the improvement of the global terminal network under the brand of COSCO with a focus on the domestic ports. It will also strengthen the industrialization of COSCO ports.

(III) Operation plan

Container shipping business

The Group will adjust the routes structure and optimize the product design based on various factors including market condition and its strategic targets in order to resist and mitigate the fluctuations in the conventional market. It will allocate more shipping capacity to emerging markets and continue the construction of feeder service routes and pivotal ports to enhance the services of its global network. In addition, the Group will expand its port coverage and reduce the network operating cost by consolidating and expanding alliance cooperation to further maximize its competitive edges.

The Group will strengthen the marketing and sales and solidify the base of cargo source to restore the freight rate steadily. It will endeavour to maintain the balance between inflow and outflow of cargos, expand the base of high value cargos and improve the quality of cargo source. The Group will also expand its customer base by acquiring more global key accounts, basic customers, direct customers and FOB customers through specialized marketing. In addition, it will focus on the development of emerging markets and new customers so as to improve the structures of markets, cargo flow, cargo source and customers.

The Group will establish an integrated platform for value-added services to improve its land transportation capability. IT construction for value-added services will be pushed forward to improve its data management. It will also strengthen the development of supplier management system to further regulate the qualification and assessment mechanism of suppliers and reduce cost, so as to improve the service quality of the suppliers.

The procedural control will be enhanced to ensure the all liners run on schedule, so as to consolidate and strengthen the leading position of the Company among major shipping companies around the world in terms of punctuality. Slot management will be implemented to secure the quality of customer service. The Company will fully leverage on the innovation of service through its information system to improve the differentiated competitiveness of the Company and expanded the e-commerce business so to provide customers with more comprehensive and convenient services.

The shipping volume of the Group's container shipping in 2013 is expected to be 8.90 million TEUs.

Dry bulk shipping business

To cut losses and maintain the sustainability of operation under adverse conditions, the Group will focus on reducing loss, preparing for further expansion, adjustment and innovation in 2013. With the emphasis on reducing losses, the Group will improve its efficiency for maintaining steady growth and strengthening its capacity for future development. It will adjust and optimize its key segments and structure to ensure efficient operation. Further innovation will be carried out for its development mode, sales strategy and management system to reinforce its competitiveness.

The Group will streamline its operation management and refine its development measures in strict compliance with its practical implementation plans in order to significantly reduce its loss for the year.

1. to closely monitor the long-term market development and recent operation conditions, in particular the economic development of China, the US, Europe and Japan, in order to have better prediction of the future economic development; to estimate the future price and demand of commodities through market research on the operation of ports, steel makers, power plants and food suppliers; to better understand the market development through studies of the operation data of relevant upstream and downstream industries in shipping industry.

2. to expand the domestic and overseas sales networks and to strengthen the relationship with major suppliers under the philosophy of "value sales", i.e. to secure cargo and customers by excellent services; to provide customers with tailor-made value-added services to establish long-term stable business relationship; to carry out differentiated operation and identify strategic target customers for securing long-term contracts and more sources of cargo.

3. to strategically arrange the shipping routes to improve operation efficiency; to proactively allocate the shipping capacity in accordance with market changes; to rearrange the allocation of shipping capacity to meet different demand of different routes; to develop new shipping routes for different cargos; to further enhance the specialized coastal transportation service in order to gain more market share.

4. to implement low cost development strategy which focuses on fulfilling demands of major customers and realising sustainable development of the dry bulk shipping business of China COSCO; to promptly adjust the fleet structure so as to maintain the sustainable development of the Group.

5. to strictly control the scale of chartered-in vessels and operation risks based on market demand and the requirements of cargo owners in an efficient manner.

6. to reduce cost and improve efficiency through enhancement in management, corporate transformation and supervision.

The estimated turnover volume of the Group's dry bulk shipping business in 2013 is 869.6 billion tons-nautical miles.

Logistics business

1. Logistics business

The electronic product and chemical logistics businesses will be further expanded. Its business into upstream and downstream industries will also be diversified by providing value-added services and supply chain management services. The management of nuclear power projects will be centralized through system integration and enhancement in management. It also intends to develop logistics services for the aviation industry.

2. Shipping agency

The Group will further consolidate and expand its agency market. The Group will focus on the development of new port agency services and provide vessels and special vessels agency and related services at ports with necessary facilities.

3. ***Freight forwarding***

The Group will expand its business beyond the existing sectors and regions. The Group will also modify its sales method and system and improve the synergy effect of the overseas and domestic business sectors by providing a wide range of logistics solutions. The Company will expand its core direct international customer base and establish strong and stable relationship with customers. It will also strengthen the management of logistics suppliers and sub-contractors and accelerate the establishment of overseas branches and sales teams.

4. ***Air-freight forwarding***

The Group will focus on slot procurement, direct customers and core airports to enhance competitiveness and profitability.

Terminal business

The Group will continue to focus on sales and improve its operation management, in order to retain customers with high quality services. Long-term strategic planning of terminal projects will be implemented for further business diversification. The annual operation capacity in 2013 is expected to increase by 2,800,000 TEUs.

(IV) Fund requirement for maintaining existing business and establishing project company in process

Capital commitment	Time	Financing method	Funding source
RMB14.998 billion	2013	Debt financing	Bank loans, existing capital and others

(V) Potential risks

1. Risks related to policies

China government may amend its policies, including monetary policies, fiscal policies, industrial policies and regional development policies, according to any changes in macro situation. Economic interests of enterprises will be inevitably affected by such amendments. As such, conflicts of economic interests between the government and enterprises may exist due to any promulgation and amendments on such policies and risks related to policies arise.

Owing to the risks related to policies, the planning of the Company will be affected; the business expansion will be restricted; the financing costs will increase but the investment yield will decrease; and the difficulty of market expansion will also increase.

The Company understood the effects brought by the changes of policies to the business development. It monitored and studied the risks related to policies in a timely manner, enhanced the precaution of the risks related to policies and managed such risks proactively. In order to minimize risks and prevent or reduce unnecessary losses, the Company forecasted risks related to policies, formulated corresponding measures and carried out various prevention measures.

2. Industrial risks

Shipping industry is a capital intensive industry with low returns, strong cyclical fluctuation and high operational risks. As a result, shipping companies may invest large amount of capital but earn low returns and incur high costs but record low income.

In 2013, the growth of global economy will slow down and the supply of capacity of fleets worldwide will remain increase and outpace the growth of the demand of fleets. The recovery of freight rate will remain slow and the profitability of shipping companies will face more challenges.

The operational costs increased continuously and the price of components that are necessary for shipping industry, including fuel, remained high. It is expected that the operational costs will remain high and the profitability of shipping companies will be affected.

Industrial risks cause impacts to the profitability of the Company and result in a large cyclical fluctuation of investment returns and the investment returns are affected. As such, industrial risks may lead to financial loss. The operation, sustainable growth and reputation of the Company may also be affected.

In order to cope with industrial risks, the Company enhanced its marketing and exerted efforts in minimizing losses and enhancing efficiency. In addition, the Company has established an internal control system based on the comprehensive risk management system. The Company has also monitored risks related to policies strictly and formulated procedures for three major and one significant policies, strategy planning and management and analysis of economic activities.

Furthermore, the Company intended to cope with the industrial risks by adapting the following measures: grasping opportunities while coping with challenges and striving for growth prudently. With an aim to prevent fluctuation caused by cyclical risk of shipping industry, the Company strived to grow prudently to ensure a stable operation and steady growth of the Company. Closely monitoring the changes in the industry, the Company improved its prediction to difficulties to be faced, extended the duration of its prediction and improved the implementation of its measures. The Company has established a solid management philosophy so as to cope with the challenges resulted from the long term and slow growth in the market. In order to prevent from a volatile fluctuation in its operation, the Company has established a sound profitability model and coped with the cyclical fluctuation in the shipping industry.

3. Risks related to operating model

Industrial structure is closely related to the sustainable growth of the Company. The Company has focused on shipping and terminal businesses, which are in different segments of the same industrial chain. Although the shipping and terminal businesses may have different industrial cycles, the trend of cycles is nearly overlapped. As such, the risk prevention capability and the ability for sustainable growth of the Company are limited.

Owing to risks related to industrial structure, the Company may fail to cope with difficulties faced in its operation and losses resulted from the industry downturn. The reformation caused by the restructure of industrial structure will result in a large amount of investment in early stage, which may affect the investment returns of the major businesses and the profitability of the Company and cause financial loss and loss in customers. The strategic objectives of the Company may not be eventually achieved.

The Company aims to grow steadily and further refine the structure of its businesses, so as to cope with challenges brought by the cyclical fluctuation of the shipping industry. The Company further reformed the operation of its dry bulk business and integrated and refined the internal resources of China COSCO Bulk Shipping (Group) Co., Ltd. The Company also accelerated the integration of businesses of COSCON. In order to enhance the core competitive edge of COSCO Terminal, the Company has accelerated the integration of the resources of overseas terminals and expanded its terminal business.

4. Environmental protection risks

   Environment pollution in the shipping industry mainly refers to incidents which vessels pollute the sea areas and will affect various aspects such as emergency risks, brand and reputation risks as well as risks of external relationships.

   The environmental protection risks may have material effect on safety production, operation efficiency and social efficiency of the Company.

   The Company placed emphasis and exerted more efforts on environmental protection. It amended relevant documents of the risk management systems pursuant to requirements of the applicable laws and regulations, strengthened its daily supervision to improve risk identification ability, and formulated contingency plans to mitigate risks, especially contingency plans for environmental pollution risks.

5. Interest rate and exchange rate risks

   In 2012, as the Group closely monitored the trends in financial market and changes in monetary policy, and maintained the existing loans denominated in U.S. dollars at floating rates. The Group maintained its average interest rate of borrowings at a lower level.

   With respect to exchange rate, the Group kept track of and conducted studies on the trends of various currencies so as to continue adjusting the currency structure between income and cost expenses, and between assets and liabilities. It also reduced the effects brought by the changes in foreign exchange between different currencies through natural hedges of different currencies.

6. Delisting risk of A shares

   As the Company recorded loss for the consecutive two years in 2011 and 2012, according to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, Shanghai Stock Exchange will impose delisting risk warning on the A shares of the Company. Upon the implementation of delisting risk warning, the daily limit of the decrease and increase in price of A shares shall be 5%. The commencement date of the delisting risk warning was Friday, 29 March 2013. The abbreviation name of A shares will renamed from "China COSCO" to "*ST China COSCO". The trading of A shares was suspended for one day on 28 March 2013.

   In 2013, the Company will further deepen reform to resolve its shortcomings and strive to turn its shipping business around. For container shipping business, it will restructure route arrangements and improve product design in accordance with market conditions. Marketing efforts will be stepped up and cargo source base will be consolidated with an aim to stabilise and restore freight rates. The Company will strengthen process control and secure route schedules to enhance service quality and customer satisfaction. Besides, it will tighten cost control, particularly on bunker cost. For bulk shipping business, the overall market research and forecast capability will be improved. It will steadily increase the proportion of basic cargo sources and refine route operations to fully capitalise on its potential for better performance. It will adjust vessel fleet capacity and structure at appropriate time to further reduce the charter cost for vessels with high costs. It will endeavour to reduce costs and expenses. To curb losses, it will adopt effective initiatives for ensuring the sustainable development of the Company. As for other businesses, it will continue to consolidate its existing advantages while improving profitability.

Facing the current difficulties, the Company will strive to explore and capture opportunities by analysing the current and future market trends. The Group will further strengthen its capability in capturing opportunities and enhance its risk prevention and control for a stable and sustainable development. In addition, capitalising on the resources of its controlling shareholder, China Ocean Shipping (Group) Company ("COSCO", together with its subsidiaries, "COSCO Group"), China COSCO will make full use of its role as the capital platform for the controlling shareholders. The Company will implement all measures which are favourable to the improvement of its performance, its long term development and the basic interest of the shareholders after thorough study, discussion and approval according to standardised procedures.

According to the applicable regulations stipulated in Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the listing of A shares of the Company will be suspended if the Company continues to record loss in 2013. All investors are advised to be aware of investment risks.

III. Analysis and explanation of the Board of Directors on the reasons and impact of the change in accounting policy, accounting estimation or verification method

As the disposal fee for container steel scrap increased in the international market, the residual value of 20 feet container and 40 feet container for dry cargo increased from US$363 and US$774 to US$402 and US$874 respectively since 1 January 2012 upon the approval of the 6th meeting of the third session of the Board of Directors. With the changes in accounting estimation, China COSCO's consolidated net profit increased by RMB25,095,000 while net profit attributable to the owners of the parent company increased by RMB10,843,000.

IV. Profit distribution or capitalisation of surplus reserves

(I) Formulation, implementation or adjustment of cash dividend policies

The Company distributes dividend to all shareholders by way of cash or scrip dividend. The total dividends shall be no less than 25% of the audited distributable profits of the Company during the given accounting year or period in principle, and shall be based on the operating results, cash flow, financial position and capital expenditure plans of the Company. The proposal of dividend distribution is formulated by the Board of Directors and implemented upon the approval of the general meeting. The amount of dividends to be distributed shall be determined based on the lower of the after-tax profits set out in the audited financial statements prepared pursuant to China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards.

As at 12 November 2012, the resolution for the Amendments to Articles of Association of China COSCO Holdings Company Limited was considered and approved in the 2nd extraordinary general meeting of China COSCO for 2012. Pursuant to the amendments to Article 193, the profit distribution policy of the Company is as follows:

(1) Principles: The Company should implement vigorous profit distribution policies and value investors' reasonable investment return and the Company's sustainable development to maintain the continuity and stability of profit distribution policy. The cumulative profit distribution in cash by the Company in the last three years was in principle not less than 30% of the average annual distributable profits in the last three years.

(2) Frequency: In principle, the Company distributes profit once per year. Under conditional circumstances, the board of directors of the Company may recommend the Company to distribute interim cash dividend according to the earnings and capital requirement of the Company.

(3) Decision-making system and procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the board of directors and submitted to the shareholders' meeting for approval. Independent directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

(4) In case of no proposal of profit distribution in cash being made at any profitable year with available distributable profit of the Company, the board of directors shall explain the reasons and the independent directors shall express their opinions clearly. Disclosure in this regard shall be made by independent directors in a timely manner. Upon consideration by the board of directors, it shall be submitted to the shareholders' meetings for review and the board of directors shall provide explanation at the shareholders' meeting.

(5) When determining the particulars of the cash dividend proposal of the Company, the board of directors shall study and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions on adjustments and other factors as required for making the decisions. The independent directors shall express their opinions clearly. When considering the particulars of the profit distribution proposal at the shareholder's meeting, the Company shall communicate with the shareholders, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox to the Secretary of the board of directors and inviting minority investors to attend the meeting), in order to gather opinions from the minority shareholders and respond to their concerns in a timely manner.

(6) Adjustments to cash dividend policy: The Company shall strictly implement the cash dividend policy stipulated in the Articles of Association of the Company and the particulars of the cash dividend proposal considered and approved at the shareholders' meetings. Adjustments or amendments to the cash dividend policy stipulated in the Articles of Association of the Company shall only be made after

detailed discussion and corresponding decision-making procedure according to the Articles of Association of the Company and approval shall be obtained from shareholders holding more than two thirds of the total voting rights present at the shareholders' meeting.

(7) Disclosure of cash dividends in regular reports: The Company shall disclose the details regarding the formulation and implementation of its cash dividend policy in regular reports. In case of any adjustments or amendments to cash dividend policy, it shall also explain in detail the conditions and the procedures for such adjustment or amendments.

The Company's board of directors must complete the distribution of dividends (in cash or in the form of shares) within two months after the resolution approving the relevant profit distribution proposal has been passed at a shareholders meeting.

Due to the loss in 2012, the Board of Directors does not recommend to distribute any cash dividends.

(II) Proposals or budgets for profit distribution and capitalisation of surplus reserves of the Company in the recent three years (including the reporting period)

The following is stated according to the audited financial report of A Shares.

Unit: RMB

Year	Number of bonus shares for every 10 shares (Share)	Dividend for every 10 shares (RMB) (before tax)	Number of scrip shares for every 10 shares (Share)	Cash dividend (before tax)	Net profit attributable to shareholders of listed companies in consolidated financial statements	Ratio of cash dividends to net profit attributable to shareholders of listed companies in consolidated financial statements (%)
2012					-9,559,164,008.83	
2011					-10,448,856,161.20	
2010		0.9		919,464,692.13	6,760,957,337.14	28.3

1. Due to the loss of China COSCO in 2012, no dividend was distributed.

2. Due to the loss of China COSCO in 2011, no dividend was distributed.

3. Net profit attributable to owners of the parent company according to the 2010 consolidated financial statements of China COSCO amounted to RMB6,760,957,337.14. Net distributable profits to shareholders of China COSCO amounted to RMB3,248,772,967.05 after deducting the amount of 3,512,184,370.09 for making up the loss in previous years. The Company distributed final cash dividends of RMB919,464,692.13, representing 28.3% of the net distributable profit.

V. Fulfilment of social responsibility

Performance of social responsibility

China COSCO has actively participated in various domestic and international activities related to sustainable development and communicated with relevant enterprises and authorities related to the implementation of the United Nations Global Compact and sustainable development during various conferences or activities. In 2012, China COSCO has participated in the following major social activities:

(1) China COSCO introduced its implementation of the Global Compact. On 8 May 2012, Mr.Wei Jiafu, the Chairman, was interviewed by United Nations Global Compact for the topic of Dialogue for Global Compact: CSR pioneer in action (對話全球契約：責任先鋒在行動). Mr. Wei introduced China COSCO's implementation of the Global Compact by describing the philosophy, measures and achievements for the performance of social responsibility in respect of environmental protection, energy saving and reduction in pollutant discharge, protection of human rights, anti-corruption and green shipping. United Nations Global Compact included this interview in an advertisement broadcasted in the Rio+20 United Nations Conference on Sustainable Development. The global influence of COSCO is further enhanced.

(2) The Company actively participated in the United Nations Global Compact LEAD. It participated in and initiated projects concerning climate changes. It supported activities held by Chinese network centre of Global Compact, participated in leadership programs for sustainable development and commenced supply chain accountability management. The global influence of COSCO is further enhanced by organising global social responsibility conference for the United Nations Global Compact. The social responsibility performance case of China COSCO was selected as Demonstrative Case in China (中國網絡優秀案例) by the United Nations Global Compact.

In 2012, China COSCO further promoted energy-saving and emission reduction. Attaching great importance to energy-saving and emission reduction, it put theories into practice to facilitate its comprehensive and coordinated sustainable development. Its new technologies and measures for energy conservation and emission reduction were successful in ensuring the green and sustainable development of China COSCO. It further sped up the promotion and application of energy-saving and emission reduction technologies and closely monitored the new energy-saving and emission reduction requirements of International Covenant. It launched the vessel energy efficiency management system. Through adopting a rational and practical energy efficiency management system, it enhanced its overall energy saving effectiveness and efficiency to meet the energy-saving and emission reduction targets of the Twelfth Five-Year Plan. It adopted speed reduction of routes to save energy and reduce emission of vessels. Subsidiaries directly owned by China COSCO Bulk Group actively implemented speed reduction of routes. According to its researches and comparative analysis, the Company determined the speed and fuel consumption base on factors such as shipping route, vessel model and speed. Approximately 109,000 tons of fuel (approximately 155,700 tons of standard coal) was saved in 2012 through speed reduction of routes. Based on an average fuel price of USD650 per ton and the USD-RMB exchange rate of 6.30, the estimated cost reduction amounted to approximately RMB446.4 million.

In 2012, China COSCO and its subsidiaries were granted various honours for the performance of social responsibilities. China COSCO was ranked first in the "China CSR 100 Ranking" of Fortune Magazine (Chinese edition) in 2012. COSCO Pacific was selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index. COSCO Logistics was awarded the "Excellence in Quality Management" award by the review panel of British Standards Institution (BSI), while COSCO (Hong Kong) Shipping was recognized as the company with the most gross tonnage on the Hong Kong Shipping Register and received the Green Award. These honours and awards have signified the leading position of China COSCO in terms of social responsibility performance. (For details, please refer to the 2012 China COSCO Sustainable Development Report (中國遠洋2012年可持續發展報告).)

Significant Events

I. Material litigation, arbitration and matters commonly questioned by media

(i) Material litigation, arbitration and matters that have been disclosed in temporary announcements with no subsequent change

None.

(ii) Material litigation and arbitration that have not been disclosed in temporary announcements or have subsequent change

During the reporting period

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Expected liabilities and amount involved	Status	Judgment and effects	Execution of judgment
SOMPOL TRADING LIMITED	COSCO Bulk	Nil	Early return of a vessel	The vessel JIN ZHOU was leased by COSCO Bulk on a long term fixed charter. During the period of the charter, the ship-owner refused to execute the instruction for the IWL trading voyage given by COSCO Bulk. As such, COSCO Bulk ceased to pay the charter fee, while the ship-owner terminated the voyage accordingly. COSCO Bulk terminated the contract due to the breach of contract by the ship-owner. The ship-owner claimed for the loss from COSCO Bulk.	US$18 million		Settlement reached by both parties on 21 May 2012. The arbitration was completed.	COSCO Bulk had to compensate SOMPOL US$14.5 million in three installments within a year. Each party bears its own counsel fee and arbitration fee.	The first installment of US$4.9 million had been paid on 31 May 2012. The second installment of US$4.8 million had been paid on 22 October 2012. The final installment will be paid on 21 May 2013.
COSCO Container Lines Company Limited	溫州市土畜產品對外貿易公司	Nil	Claim for demurrage charges	Case closed	US$11.79 million		According to the final judgment of the court, the defendant shall pay of compensation of RMB1.9 million to the Company.	Final judgment has been delivered.	

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Dido it incur expected liabilities and amount	Status	Judgment and effects	Execution of judgment
COSCO Container Lines Company Limited	Ural Container Company (烏拉爾集裝箱運輸公司)	Nil	Ships collision	On 23 February 2012, Zhen He collided with MOL MANEUVER in the open seas of Hong Kong, which resulted in serious damage of Zhen He and the goods on board. The Company has filed a litigation to Guangzhou Maritime Court, and the court has accepted the case. No hearing has been conducted yet.	RMB105 million		The Court has accepted the case but has not conducted any hearing.		
China MCC International Economic and Trade Co., Ltd.	Shanghai Branch of COSCO Supply Chain Management Co., Ltd.			In November 2012, China MCC International Economic and Trade Co., Ltd. requested Shanghai Branch of Supply Chain to retrieve the goods from the warehouse according to the "Warehousing Contract"(倉儲保管合同). The Shanghai Branch of Supply Chain failed to deliver the goods to China MCC due to the dispute of the title of such goods. China MCC initiated a litigation against the Shanghai Branch of Supply Chain and claimed for the returning of such goods or a compensation of RMB56 million.	RMB56 million		The Shanghai Branch of Supply Chain raised its objection against the jurisdiction.		

Significant Events

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Dido it incur expected liabilities and amount	Status	Judgment and effects	Execution of judgment
China Railway Materials Shanghai Company Limited	Shanghai Branch of COSCO Supply Chain Management Co., Ltd.			In September 2012, China Railway Materials Shanghai Company Limited requested Shanghai Branch of Supply Chain to retrieve the goods from the warehouse according to "Warehousing Contract" (倉儲保管合同). Shanghai Branch of Supply Chain failed to deliver the goods to China Railway Materials due to the dispute of the title of the goods. China Railway Materials initiated a litigation against the Shanghai Branch of Supply Chain and claimed for the returning of the goods or a compensation of RMB60.34 million.	RMB60.34 million		The case was transferred to the People's Court of Zhabei from the People's Court of Baoshan. No hearing has been conducted yet.		
Nantong Branch of Bank of China (中國銀行南通分行)	COSCO Supply Chain Management Co., Ltd., Shanghai Branch of COSCO Supply Chain Management Co., Ltd.			In December 2012, Nantong Branch of Bank of China initiated a litigation against Shanghai Branch of Supply Chain (as a regulator) for its failure to retrieve the steel products pledged by Nan Tong Tong Yi Industrial Co., Ltd. according to agreement and to perform its duty to secure the collateral. Nantong Branch of Bank of China requested Shanghai Branch of Supply Chain to pay a compensation for its loss of RMB65 million.	RMB65.00 million		Hearing was held but the case is pending judgment		

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Dido it incur expected liabilities and amount	Status	Judgment and effects	Execution of judgment
Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK")	COSCO Pacific and Piraeus Container Terminal S.A. ("PCT")		Litigation	ADK filed a lawsuit to the Court of First Instance of Athens according to Article 677 of the Greek Code of Civil Procedure regarding the engineering fee under the Greek Civil Court. The merit of ADK was that COSCO Pacific and PCT failed to pay for the relevant civil construction works conducted by ADK pursuant to their instruction. In this case, ADK required COSCO Pacific and PCT to pay the service fee according to the terms of the engagement letter and did not ask for compensation on the default of contract. ADK required COSCO Pacific and PCT to pay the professional fees for services provided by ADK in the relevant period regarding the following works: (i) preparation of the design of terminal and tendering document of terminal construction; (ii) provision of construction management services and other relevant works after winning the bid; and (iii) previous supervision and coordination of outsourcing units, namely P. Karpouzoglou and ATLANTIS (Note: In the opinion of the Greek lawyer, PCT had paid for the work in item (iii) on 20 October 2010).	Approximately EUR5.8 million		The first hearing was held on 30 January 2010. The Court of First Instance of Athens has made a judgement and dismissed all claims against COSCO Pacific and PCT in the above petition, and determined that the plaintiff (ADK) shall pay a total of EUR30,000 as part of the legal expenses to COSCO Pacific and PCT. The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek law. The hearing of this appeal was originally set to take place before the Court of Appeals of Athens on 13 November 2012, and it was rescheduled to Tuesday, 26 November 2013 due to the strike of the Greece's Association of Judges.	The litigation has not ended and it is currently unable to accurately predict the outcome.	

Significant Events

(iii) Matters commonly questioned by media but have not be disclosed in temporary announcements with no subsequent change

None.

(iv) Other Explanation

None.

II. Misappropriation and repayment of funds during the reporting period

Not applicable.

III. Bankruptcy and restructuring

Not applicable.

IV. Transactions of assets and merger of companies

(i) Acquisition, disposal of assets and merger of companies disclosed in temporary announcements with no subsequent change

Description and type	Index
COSCO Pacific (China) Investments Co., Ltd., a subsidiary of the Company, acquired 39.04% equity interests in Taicang International Container Terminal Company Limited from the COSCO Group	Connected Transaction Announcement of the Company dated 24 January 2013 (issue reference number: 2013-01)

(II) Events that have not been disclosed in temporary announcements or have subsequent change

Not applicable.

V. Stock option scheme of the Company and its implications

Pursuant to the approval of the shareholders' meeting of the Company held on 9 June 2005, the Company has adopted a share appreciation rights plan for the members of the Board (other than independent non-executive directors), supervisors (other than independent supervisors), secretary to the Board, senior management of the Company and its subsidiaries COSCON and COSCO Logistics as well as those who are approved by the Board of the Company. No shares will be issued under this scheme. The stock appreciation rights were granted in units representing one H share of the Company per unit.

The exercise period of the share appreciation right is 10 years from the date of grant. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant, the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights granted in 2005, 2006 and 2007 by the Company are exercisable at HK$3.195, HK$3.588 and HK$9.540 per unit, respectively.

During the reporting period, the Company did not adjust the grant price and the exercise price of the share appreciation rights granted in 2005, 2006 and 2007, and no share appreciation right of the Company was exercised and no new share appreciation right was granted.

VI. Material contracts and their performance

(i) Custody, underwriting and leasing and their performance

1. Custody management

Unit: RMB

Principal	Trustee	Entrusted asset	Amount of entrusted asset	Inception date	Termination date	Revenue	Determination of revenue	Effect of custody revenue on the Company	Connected transaction in nature	Relationship
China Ocean Shipping (Group) Company	China COSCO Holdings Company Limited	The management of non-listing direct wholly-owned enterprises of the principal	N/A	1 January 2012	31 December 2013	RMB17.31 million in 2012	Custody agreement	N/A	Yes	Controlling shareholder
China Ocean Shipping (Group) Company	COSCO Logistics Co., Ltd.	COSCO Group's equity interest in China Cargo Airlines Ltd.	N/A	10 November 2010	–	0.75 million/ year	On the basis of remuneration of the management and the management cost in accordance with the actual situation and business volume	N/A	Yes	Controlling subsidiary of parent company

2. Underwriting

Not applicable.

3. Leasing

Lessor	Leasor	Condition of leased assets	Value of leased assets	Inception date	Expiry date	Revenue as at the expiry date	Determination basis of revenue	Effect of leasing revenue on the Company	Connected transaction in nature	Relationship
Qingdao Ocean Shipping Co., Ltd.	Shandong Five Star Appliance Co., Ltd.	Good	147,325,620	16 October 2011	15 October 2024	12,563,064	On accrual basis according to the contract		No	

Significant Events

(ii) Other material contracts

China Pacific, a subsidiary of China COSCO, entered into 3 interest rate swap agreements with CPL Treasury Limited and The Hongkong and Shanghai Banking Corporation Limited on 14 October 2003, 16 October 2003 and 6 November 2003, respectively with an aggregate amount of US$200,000,000. China Pacific entered into interest rate swap agreements with banks in respect of US$200 million of the proceed from the issuance of bonds of US$300 million in 2003. According to the terms of the agreement, the interest rate was changed from a fixed rate of 5.875% to a floating rate of LIBOR + 1.05% to LIBOR + 1.16%.

VII. Undertakings

(i) Undertakings of listed companies, shareholders holding more than 5% of the shares, controlling shareholders and beneficial controllers during or as at the reporting period

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
Undertaking in relation to the initial public offering	Resolution of horizontal competition	COSCO	1. **Container shipping business** On 9 June 2005, COSCO entered into "Non-competition Undertakings" with the Company, and undertook to the Company that: (1) the Group will be the sole entity to be engaged in marine container comprehensive shipping business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO; and (2) it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in the Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits). Such undertakings will cease to be effective upon the occurrence of the following: (1) expiry of the twelve months period commencing from the date that COSCO (directly or indirectly) ceased to be the controlling shareholder of the Company through the companies, enterprises or entities under its control; (2) the Company's securities were delisted subsequent to its listing on the Hong Kong Stock Exchange or other stock exchanges and automatic transaction systems agreed by both parties.					

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
			2. Container leasing business In respect of container leasing business, COSCO had undertaken to COSCO Pacific during the initial listing of COSCO Pacific on the Hong Kong Stock Exchange in 1994 that COSCO and its subsidiaries shall: (1) not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO Pacific and its subsidiaries; (2) under any circumstances, when COSCO needs containers, it will first consider to lease from the container leasing companies, and under such circumstances, COSCO will grant COSCO Pacific and its subsidiaries the priority to negotiate container leasing business with COSCO, and may consider purchase of containers for own use only when COSCO fails to lease containers from the container leasing companies; (3) commence with the negotiation with COSCO Pacific and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the top ten independent container leasing companies; and (4) renew any existing contracts entered with COSCO Pacific and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.					

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
			3. Freight forwarding, shipping agency and logistics business When COSCO Pacific Logistics Company Limited ("COSCO Pacific Logistics") acquired a 49% interests in COSCO Logistics at the end of 2003, with COSCO retaining a 51% interests in COSCO Logistics, COSCO entered into a "Non-competition deed" with COSCO Logistics and COSCO Pacific Logistics on 22 September 2003 in respect of the businesses conducted by the group of companies under COSCO Logistics. COSCO had made the following undertakings: (1) COSCO undertook that when engaged in shipping agency, freight forwarding, third party logistics and supporting services ("Prohibited Businesses") relating to the above services which compete with the business of COSCO Logistics and its subsidiaries through COSFRE, COSFRE will only provide shipping agency services to COSCON, while the freight forwarding services engaged by COSFRE are mainly solicitation of cargoes for COSCON; (2) Save as the above arrangements relating to COSFRE, COSCO shall not (other than through COSCO Logistics and China Road Transport) develop or operate Prohibited Businesses; (3) COSCO shall procure that other than COSFRE, all the companies which engage in the businesses in competition with the core businesses of COSCO Logistics, its subsidiaries, including but not limited to those of China Road Transport, if not already disposed of by the COSCO to a third party or acquired by COSCO Logistics and its subsidiaries, shall be terminated or wound up within three years from the date of the non-competition deed;					

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
			(4) COSCO has given COSCO Logistics a five year option (subject to any right of first refusal of third parties in accordance with applicable legal requirements) to purchase from COSCO, at fair market price and on normal commercial terms that were fair and reasonable, the entire or partial interests in any businesses or corporations that may compete with or may be similar in nature to the core businesses of COSCO Logistics and its subsidiaries; and					
			(5) COSCO Logistics shall, subject to any right of first refusal of third parties in accordance with applicable legal requirements, have a right of first refusal in respect of the sale by COSCO of any company or business that may be in competition with any business of COSCO Logistics and its subsidiaries.					

(ii) Explanations of the Company on whether the profit forecast on assets or projects was met and its reasons in the situation that there is profit forecast on the Company's assets or projects and the reporting period is within the period of such profit forecast

Not applicable.

VIII. Punishment and rectification of the Company or its directors, supervisors and its senior management, or shareholders holding 5% or above of the shares, beneficial controller or acquirer

During the reporting period, none of the Company, other Directors, Supervisors, Senior Management, shareholders holding 5% or above of the shares of the Company, beneficial owners of the Company was under any inspection of relevant authorities, subject to any enforcement action of judicial and inspection authorities, transferred to judicial authorities or prosecuted for criminal liability, under the inspection of the CSRC, subject to any administrative penalty of the CSRC, prohibited from participating in any securities market and deemed as unqualified person who was subject to any punishment of other administrative authorities and any public accusation of stock exchanges.

IX. Suspension and termination of listing

(i) Reasons for being suspended or terminated from listing and measures of the Company on revoking of suspension and termination of listing

Not applicable.

(ii) Detailed arrangement and planning for management of investors relations after the delisting

Not applicable.

X. Convertible bonds

Not applicable.

XI. Other significant events

For details of other significant events, please refer to temporary announcements of the Company.

Changes in Equity and Shareholders Information

(I) Changes in Equity

I Changes in Equity

1. Changes in shares

Unit: share

	Before		Change (+/-)					After	
	Number of shares	Percentage of shareholding (%)	New issue	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	Number of shares	Percentage of shareholding (%)
1. Shares subject to selling restrictions	159,724,067	1.56	–	–	–	–	–	159,724,067	1.56
i. State-owned shares	159,724,067	1.56	–	–	–	–	–	159,724,067	1.56
2. Outstanding tradable shares	10,056,550,290	98.44	–	–	–	–	–	10,056,550,290	98.44
i. RMB ordinary shares	7,475,950,290	73.18	–	–	–	–	–	7,475,950,290	73.18
ii. overseas listed foreign shares	2,580,600,000	25.26	–	–	–	–	–	2,580,600,000	25.26
3. Total	10,216,274,357	100	–	–	–	–	–	10,216,274,357	100

Transfer regarding changes in shares

Not applicable

Effects of changes in shares on financial data of the current year and current period, such as earning per share and net asset per share

Not applicable

Other information which the Company considers necessary or required to be disclosed by any securities regulatory authorities

Not applicable

2. Changes in shares subject to selling restrictions

Not applicable

(II) Issue and listing of securities

1. Issue of securities in the last three years immediately before the end of the reporting period

Not applicable

2. Changes in total number and structure of shares of the Company and changes in assets and liabilities structure of the Company

There was no change in total number and structure of shares of the Company.

3. Existing internal employee shares

Not applicable

(III) Shareholder and effective controller

1. Number of shareholders and their shareholding

Unit: Share

Total number of shareholders at the end of the reporting period	356,946	Total number of shareholders at the end of 30 days prior to the date of this annual report	347,892

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares pledged or frozen
China Ocean Shipping (Group) Company	State owned legal person	52.01	5,313,082,844	0	0	Nil
HKSCC NOMINEES LIMITED	Other	25.10	2,564,753,889	-1,996,997	0	Unknown
National Council for Social Security Fund (Subsidiary Shareholder)	State-owned	1.75	178,386,745	0	159,724,067	Unknown
CITIC Securities Company Limited	Other	1.12	114,197,347	111,082,441	0	Unknown
Industrial and Commercial Bank of China – China Southern Longyuan Industry Theme Stock Fund	Other	0.76	77,872,070	77,872,070	0	Unknown
China National Nuclear Corporation	Other	0.70	72,000,000	0	0	Unknown
Sinochem Corporation	Other	0.39	40,000,000	0	0	Unknown
Minmetals Capital Holdings Limited	Other	0.30	31,000,000	0	0	Unknown
China Energy Conservation and Environmental Protection Group	Other	0.23	23,500,000	0	0	Unknown
Industrial and Commercial Bank of China – Kaiyuan Securities Investment Fund	Other	0.20	20,595,359	20,595,359	0	Unknown
Beijing Capital Guarantee & Investment Co., Ltd.	Other	0.20	20,000,000	0	0	Unknown

Changes in Equity and Shareholders Information

Shareholdings of the top 10 holders of shares not subject to selling restrictions

Name of shareholder	Number of shares not subject to selling restrictions	Type of shares
China Ocean Shipping (Group) Company	5,313,082,844	RMB ordinary shares
HKSCC NOMINEES LIMITED	2,564,753,889	Overseas listed foreign shares
CITIC Securities Company Limited	114,197,347	RMB ordinary shares
Industrial and Commercial Bank of China – China Southern Longyuan Industry Theme Stock Fund	77,872,070	RMB ordinary shares
China National Nuclear Corporation	72,000,000	RMB ordinary shares
Sinochem Corporation	40,000,000	RMB ordinary shares
Minmetals Capital Holdings Limited	31,000,000	RMB ordinary shares
China Energy Conservation and Environmental Protection Group	23,500,000	RMB ordinary shares
Industrial and Commercial Bank of China – Kaiyuan Securities Investment Fund	20,595,359	RMB ordinary shares
Beijing Capital Guarantee & Investment Co., Ltd.	20,000,000	RMB ordinary shares
Related parties or persons acting in concert of the above shareholders	Unknown	

Note: As at 31 December 2012, China Ocean Shipping (Group) Company held 81,179,500 H shares through its subsidiaries, accounting for 3.15% of the total issued H shares of the Company. Such 81,179,500 H Shares were included in the shareholdings of HKSCC NOMINEE LIMITED. China Ocean Shipping (Group) Company and its subsidiaries held 52.80% of the total shares of the Company in aggregate.

The number of shares held by the top ten shareholders holding shares subject to selling restrictions and the respective selling restrictions

Unit: Share

Name of holders of share subject to selling restrictions	Number of shares subject to selling restrictions	Tradable shares subject to selling restrictions: Trading date	Tradable shares subject to selling restrictions: Number of additional tradable shares	Selling restrictions
National Council for Social Security Fund (Subsidiary Shareholder)	159,724,067	26 June 2013	159,724,067	Restriction upon transfer
Related parties or persons acting in concert of the above shareholders			N/A	

2. Strategic investors or ordinary legal persons becoming top ten shareholders as a result of participating in the placing of new shares

Not applicable.

Changes in Equity and Shareholders Information

(IV) Controlling shareholder and effective controller

1. Specific description of controlling shareholder

1. Legal person

Unit: Yuan Currency: RMB

Name	**China Ocean Shipping (Group) Company**
Person in charge or legal representative	Wei Jiafu
Date of incorporation	27 April 1961
Registration number	10000143-0
Registered capital	RMB4,103,367,000
Principal business operations or management activities	China Ocean Shipping (Group) Company is one of the mega-size state-owned enterprises under the State-owned Assets Supervision and Administration Commission of the State Council. Apart from the business operated by our Group, the main business currently operated by COSCO Group also includes operations of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, financial services, ship trading service and the provision of seaman and ship management services, etc.
Interests in listed companies in the PRC and overseas	COSCO Group is interested in COSCO Shipping and China Merchants Bank, which are companies listed in the PRC, and COSCO Singapore and COSCO Pacific, which are companies listed overseas

2. Natural person

   Not applicable

3. Specific description of non-existing of effective controller of the Company

   Not applicable

4. References of changes and date of changes in effective controller during the reporting period

   Not applicable.

Changes in Equity and Shareholders Information

(2) Effective controller

1. Legal person

Unit: Yuan Currency: RMB

Name	**State-owned Assets Supervision and Administration Commission of the State Council**
Person in charge or legal representative	N/A
Date of incorporation	N/A
Registration number	N/A
Registered capital	N/A
Principal business operations or management activities	N/A
Operating results	N/A
Financial position	N/A
Cash flow and future development strategies	N/A
Interest in listed companies in the PRC and overseas during the reporting period	N/A

2. Natural person

   Not applicable.

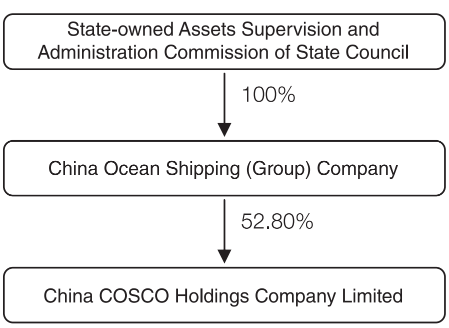
3. Specific description of non-existing of effective controller of the Company

   Not applicable.

4. References of changes and date of changes in effective controller during the reporting period

   Not applicable.

5. The structure of equity and control between the Company and effective controller



6. Companies controlled by effective controller through trust or other asset management

   Not applicable.

Changes in Equity and Shareholders Information

(V) Issue of bonds and notes

On 4 December 2012, COSCO Finance (2011) Limited (a wholly-owned subsidiary of the Company) issued bonds due 2022 in the aggregate principal amount of US$1,000,000,000, bearing interest at the rate of 4.00% per annum (the "Bonds"), by way of debt issue to professional investors. The Bonds has been listed on the Hong Kong Stock Exchange since 4 December 2012 with stock code 4584.

On 31 January 2013, COSCO Pacific Finance (2013) Company Limited (a wholly-owned subsidiary of the Company) issued the US$300,000,000, with a fixed interest yield of 4.375% per annum, guaranteed notes due 2023 (the "Notes"), guaranteed by COSCO Pacific Limited. The Notes has been listed on the Hong Kong Stock Exchange since 1 February 2013 with stock code 5900.

Directors, Supervisors, Senior Management

Major work experiences of directors, supervisors and senior management of the Company (during 2012 and up to the date of this annual report) in the recent five years are as follows:

WEI Jiafu（魏家福）

Mr. WEI, aged 63, is currently a non-executive director, the chairman of the board and Chief Executive Officer of the Company. Mr. Wei has been the president of COSCO since November 1998 and has served as the chairman and secretary of the CPC subcommittee of COSCO since August 2011 and is the chairman of the board of Hainan COSCO Boao Co., Ltd. and COSCO HK and the non-executive director and vice chairman of the board of China Merchants Bank Co., Ltd. (stock code: 3968). Mr. Wei was the general manager of Sino-Tanzania Joint Shipping Company, COSCO Holdings (Singapore) Pte. Ltd., COSCO Tianjin and COSCO Bulk, the chairman of COSCON, the chairman of the board of COSCO Pacific, COSCO Corporation (Singapore) Limited and COSCO International. Mr. Wei was a marine captain of ocean vessels and has over 40 years of experience in navigation and international shipping business. He has excellent business decision-making abilities and substantial capital markets experience. Both COSCO Pacific and COSCO Corporation (Singapore) Limited, with which Mr. Wei worked, are overseas blue chip listed companies. Mr. Wei is currently the leader of several society organizations, including the China Shipowners' Association, China Shipowners Mutual Assurance Association, The China Association of Trade in Services and China Federation of Industrial Economics. Mr. Wei obtained his doctorate degree from Tianjin University and his master's degree from Dalian Maritime University. He is also a senior engineer. In 1999, he was awarded the honour of special contribution to the State. He was awarded "Top 30 Influential People in Economy in 30 Years of Chinese Reform and Opening", "60 People in Chinese Shipping History", "Top 60 Influential People in China Economy in 60 Years of Top 100 People in China Economy", "Business Leaders in China Economy in Recent Decade" of CCTV, "The 25 Most Influential Corporate Leaders in China", "Guardian of American Workers" and "Honorary Chief Commander with Four Star rank of Massport Police". Mr. Wei is also a committee member of the Central Disciplinary Committee of the 16th and 17th sessions of the Communist Party of China.

MA Zehua（馬澤華）

Mr. MA, aged 60, is currently an executive director and the vice chairman of the Company. Mr. Ma has been the director, the general manager, and deputy party secretary of COSCO since 2011, the chairman of the board of COSCO Corporation (Singapore) Limited and the chairman of China COSCO Bulk Shipping (Group) Co., Ltd. Mr. Ma was the president of COSCO Maritime (UK) Limited, the general manager of the development department in COSCO and the assistant president of COSCO, the president and the party secretary of COSCO Americas, Inc., the deputy general manager of Guangzhou Ocean Shipping Company, the president and the party secretary of Qingdao Ocean Shipping Company, the vice president and a member of the CPC subcommittee of COSCO and the secretary of the CPC subcommittee and vice president of China Shipping (Group) Company. Mr. Ma has extensive experience in operation and management of domestic and overseas shipping companies and is an expert in international shipping industry. Mr. Ma graduated with a profession of international law from Shanghai Maritime University. He obtained his master's degree from Shanghai Maritime University and is a senior economist. Mr. Ma was a member of the 12th session of the National People's Congress of the PRC.

LI Yunpeng（李雲鵬）

Mr. LI, aged 54, was a supervisor and the chairman of the supervisory board of the Company until 28 February 2012 and is currently a non-executive director of the Company. He has been the deputy general manager of COSCO since 2011 and has also served as the spokesperson of COSCO, the chairman of the board of directors and a non-executive director of COSCO Pacific, the chairman of the board of COSCO Shipyard Group Co., Ltd and the vice chairman of the board of China Suzhou Industrial Park Company Limited. Mr. Li was the deputy department head, the department head and the office director of the executive division of Tianjin Ocean Shipping Company, the deputy general manager of the executive division, the general manager of the supervision division, the general manager of the human resources division and the assistant president and the head of the CPC Discipline Inspection Committee of COSCO. Mr. Li has over 30 years of experience in the shipping industry and has extensive experience in corporate management, internal control and human resources. Mr. Li obtained a master's degree in shipping and marine engineering from Tianjin University. He is a senior engineer.

SUN Yueying（孫月英）

Ms. SUN, aged 54, is currently a non-executive director of the Company. Ms. Sun has been the chief accountant of COSCO since 2000 and is the chairman of COSCO Finance and COSCO Japan, the non-executive director of China Merchants Bank Co., Ltd. (stock code: 3968) and a director of various companies, such as China Merchants Securities. Ms. Sun was the vice director of the finance department of COSCO Tianjin, the finance manager of COSCO Japan, the deputy general manager, the general manager of the finance and capital division and the deputy chief accountant of COSCO. Ms. Sun has over 30 years of experience in the shipping industry and has extensive experience in corporate financial management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting, and holds an EMBA degree from University of International Business and Economics. She is a certified accountant and a senior accountant.

SUN Jiakang（孫家康）

Mr. SUN, aged 53, is currently an executive director of the Company. Mr. Sun has been the deputy general manager of COSCO since 2011 and is the chairman of the board of COSCO Europe GmbH, COSCO Americas, Inc. and COSCO Oceania Pty Limited. Mr. Sun had been the manager of the third division and the second division of the container lines headquarters of COSCO, the general manager of the transportation division and assistant to the president of COSCO, vice-chairman of the board of COSCO Pacific, executive director and general manager of COSCO Pacific, vice president of COSCO HK and managing director of COSCON. Mr. Sun has over 30 years of experience in the shipping industry and has extensive experience in the corporate operation management. Mr. Sun holds a doctorate degree from Preston University, U.S. and a master's degree from Dalian Maritime University. He is a senior engineer.

XU Minjie（徐敏杰）

Mr. XU, aged 54, is currently an executive director of the Company. Mr. Xu has been the deputy general manager of COSCO since 2011 and is the chairman of the board of COSCON and China COSCO Logistics Co., Ltd. and the vice chairman of the board and non-executive director of China International Marine Containers (Group) Co., Ltd. ("CIMC") (stock code: 2039). He had been a marine captain, manager of the department of container division, operation division and export division of COSCO Shanghai. He had also been the deputy general manager of Shanghai Ocean International Freight Company, the general manager of COSFRE Shanghai, the general manager of transportation department of COSCO, the vice chairman of the board of directors, executive director and general manager of COSCO Pacific. Mr. Xu has over 30 years of experience in shipping industry and has extensive experience in corporate operations and management. He obtained his master's degree in business administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands and is a senior economist.

YE Weilong（葉偉龍）

Mr. Ye, aged 50, was a deputy general manager of the Company until 9 January 2012 and is a non-executive director of the Company. Mr. Ye is a deputy general manager of COSCO since 2011. Mr. Ye is currently the chairman of the board of directors of COSCO International Holdings Limited (stock code: 517), COSCO Shipping Co., Ltd.. He is also an executive director of COSCO International Holdings Limited. Mr. Ye was the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, the general manager of COSFRE Shanghai, the deputy general manager of COSCON and the general manager of COSFRE and the managing director of COSCO Logistics. Mr. Ye has extensive experience in corporate operation management, international shipping and modern logistics strategic operation management. He obtained a doctoral degree from Dalian Maritime University, a master's degree in business administration at Shanghai Maritime University and Maastricht School of Management in the Netherlands and is a senior economist.

Directors, Supervisors, Senior Management

ZHANG Liang (張良)

Mr. ZHANG, aged 59, has served as an executive director of the Company until 28 February 2012. Mr. Zhang is currently the president of COSCO (Hong Kong) Group Limited. He served as the department head of personnel department, assistant to the general manager, deputy general manager (and safety control manager) of COSCO Tianjin, the deputy general manager of COSCO Bulk, the general manager of COSCO Tianjin, the general manager of COSCO Bulk, the chief legal consultant and vice president of COSCO. Mr. Zhang was a marine captain of ocean vessels. He has over 30 years of experience in the shipping industry with an extensive experience in corporate operation and management. He is currently the vice chairman of China institute of Navigation and China Association of Port-of-Entry. Mr. Zhang graduated from Dalian Maritime University, majoring in navigation and obtained a Master's degree in Transportation Planning and Management from Shanghai Maritime University as well as a doctoral degree in Corporate Management from Nankai University, and is a senior engineer.

JIANG Lijun（姜立軍）

Mr. JIANG, aged 57, is an executive director and general manager of the Company. He was the deputy general manager of COSCO Pacific, the deputy general manager of Florence Container Co., Ltd., the head of finance department and the deputy department head of operations department of COSCO Japan Co., Ltd, the deputy chief accountant of COSCON, the chief executive officer of COSCO Shipping Co., Ltd, the president and deputy chairman of the board of COSCO Corporation (Singapore) Limited and the president of COSCO Holding (Singapore) Limited. Mr Jiang has more than 30 years of experience in shipping business and has extensive experience in the operation and management of domestic and overseas enterprises. He holds an MBA master's degree and is an accountant.

TEO Siong Seng（張松聲）

Mr. TEO, aged 58, is currently an independent non-executive director of the Company. Mr. Teo is the managing director of Pacific International Lines (Pte) Ltd., the president and chief executive officer of Singamas Container Holdings Limited (stock code: 716), vice chairman of CSIC Pacific Private Ltd. (a joint venture of China Shipbuilding Industry Corporation and Pacific International Lines (Pte) Ltd.), the former president of the Singapore Chinese Chamber of Commerce & Industry, a nominated member of parliament of the Singapore Government, the director of Business China (Singapore) (an organisation founded by the Singapore Chinese Chamber of Commerce & Industry and sponsored by senior minister Mr. Lee Kuan Yew), the chairman of executive committee of Singapore Maritime Academy. He is a council member of Singapore-Tianjin Economic and Trade Council, Singapore-Zhejiang Economic and Trade Council, Singapore-Shandong Economic and Trade Council, Singapore-Guangdong Collaboration Council, Singapore-Liaoning Economic and Trade Council and Malaysia-Singapore Economic Council, as well as a member of Singapore-India Chief Executive Officer Forum.

FAN Hsu Lai Tai, Rita（范徐麗泰）

Ms. FAN, aged 67, is currently an independent non-executive director of the Company. Ms. FAN was a member of the Legislative Council of Hong Kong, a member of the Executive Council of Hong Kong, the President of the Legislative Council of Hong Kong, a member of the Preliminary Working Committee for the Preparatory Committee for Hong Kong, a member of the Preparatory Committee for Hong Kong Special Administrative Region, the chairman of the Board of Civil Education for the Hong Kong Special Administrative Region, the chairman of the Education Commission, Hong Kong Deputy to both the Ninth and Tenth sessions of the NPC and a member of the Standing Committee of the Eleventh session of the NPC. Ms. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by Hong Kong government. She is currently a member of the Standing Committee of the Twelfth session of the NPC. Ms. FAN is an independent non-executive director of China Overseas Land & Investment Limited (stock code: 688), China Shenhua Energy Company Limited (stock code: 1088) and COSCO Pacific (stock code: 1199).

Directors, Supervisors, Senior Management

KWONG Che Keung, Gordon（鄺志強）

Mr. KWONG, aged 63, is currently an independent non-executive director of the Company. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwong was a partner of Price Waterhouse, an independent member of the council of the Stock Exchange and the convener of both the listing committee and the compliance committee of the Stock Exchange. He is an independent non-executive director of a number of listed companies, including Agile Property Holdings Limited (stock code: 3383), China Power International Development Limited (stock code: 2380), Chow Tai Fook Jewellery Group Limited (stock code: 1929), CITIC Telecom International Holdings Limited (stock code: 1883), Global Digital Creations Holdings Limited (stock code: 8271), Henderson Investment Limited (stock code: 97), Henderson Land Development Company Limited (stock code: 12), NWS Holdings Limited (stock code: 659), OP Financial Investments Limited (stock code: 1140) and China Chengtong Development Group Limited (stock code: 217).

Peter Guy BOWIE（鮑毅）

Mr. BOWIE, aged 66, is currently an independent non-executive director of the Company. Mr. Bowie served as chairman of Deloitte Canada, a member of the firm's Management Committee and also a member of the Board and Governance committees of Deloitte International. From 2003 to 2010, he was the Chief Executive Officer and senior partner of Deloitte China, and a member of the Board and Management Committee of Deloitte China. Mr. Bowie is an independent director of Magna International Inc. and Uranium One Inc. He has extensive experience in corporate governance, risk control and business operations.

SONG Dawei（宋大偉）

Mr. Song, aged 57, is currently a supervisor and the chairman of the supervisory board of the Company. He has served as a director, a member of the CPC subcommittee and the head of the CPC Discipline Inspection Committee of COSCO since 2011. Mr. Song was the former director of Industrial Production Committee of Fuxin City, the deputy director of the Economic and Trade Commission of Liaoning Province, the deputy director of the General Office of Liaoning Provincial Government, the deputy secretary-general of Liaoning Provincial Government, the director of the Research Center for Restructuring Economic Systems, and the director-general of the Research Department of Social Development, Comprehensive Research Department of the State Council. Mr. Song graduated from the Department of National Economy at the School of Economics and Management of Liaoning University with a master's degree in economics.

WU Shuxiong (吳樹雄)

Mr. WU, aged 58, was a supervisor of the Company until 6 January 2012. Mr. Wu has been the director and vice president of COSCO (Hong Kong) Group Ltd. since 2011. He had been a marine chief engineer, deputy head of the fourth ship management department of COSCO Shanghai, general manager of Shanghai Far East Container Manufacturing Co. Ltd., deputy general manager of COSCO Shanghai, deputy general manager (safety and quality control manager) of COSCON, and the secretary of CPC subcommittee and deputy general manager of COSCON. Mr. Wu has over 30 years of experience in the shipping industry and extensive experience in corporate and vessel management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management. He is a senior engineer.

Directors, Supervisors, Senior Management

MA Jianhua（馬建華）

Mr. MA, aged 50, is currently a supervisor of the Company. Mr. Ma had been the director, the secretary of the committee of CPC and deputy general manager of COSCO Logistics since 2006. He had been the deputy section chief of the human resources management and labour department of the General Office of MOC, vice secretary of the CPC subcommittee and the team leader of discipline inspection of Shenzhen Maritime Safety Administration, deputy director of the general office of Chongqing municipality of PRC, and deputy secretary of Chongqing municipality of PRC. Mr. Ma has extensive experience in administrative management, traffic management, human resources management, modern logistics strategy and management. Mr. Ma graduated from Central Party School of CPC, majoring in economics and management and is a senior engineer.

LUO Jiulian（駱九連）

Mr. LUO, aged 58, is currently a supervisor of the Company. Mr. Luo has served as the secretary of the committee of CPC and deputy general manager of COSCO Shipbuilding Industry Company since 2011. He was the deputy director of CPC subcommittee office of COSCO, the deputy secretary of discipline committee and chairman of labour union of COSCO International Freight Company, and the vice chairman of discipline inspection committee of CPC subcommittee, director of supervisory office, general manager of the supervision division of COSCO. Mr. Luo has over 20 years of experience in the shipping industry with extensive experience in corporate management and internal control work. Mr. Luo graduated from Central Party School of CPC majoring in economics and management and is a postgraduate student.

MENG Yan（孟焰）

Mr. MENG, aged 57, is currently an independent supervisor of the Company. He is an independent non-executive director of China Longyuan Power Group Corporation Limited (stock code: 916) and Jolimark Holdings Limited (stock code: 2028). Mr. Meng has been working for the Central University of Finance and Economics since 1982. He was the deputy director and director of the accountancy department and is currently the dean, professor and tutor of doctorate students of the faculty of accountancy, executive director of the Accounting Society of China, executive director of the China Society for Finance and Accounting, committee member of the Professional Education Supervisory Committee for the Business Administration Subjects of Higher Education of the Ministry of Education and committee member of the National Master of Accountancy Education Supervisory Committee. Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accountancy). He has been entitled to the government's special allowance from the State Council since 1997.

GAO Ping（高平）

Mr. GAO, aged 57, is currently a supervisor of the Company. Mr. GAO has been the director, the secretary of the committee of CPC and deputy general manager of COSCON since 2011. He was the ship mate, deputy manager, manager and general manager of the human resource division of COSCO Shanghai, the deputy general manager and general manager of the crew management division, the assistant general manager and deputy general manager of COSCO (Hong Kong) Shipping, the director of the organization division and the general manager of the human resource division of COSCO, and the supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to COSCO. He has over 30 years of experience in the shipping industry with extensive experience in vessel management, corporate management and human resources management. Mr. Gao graduated from University of International Business and Economics with an EMBA degree and is a senior engineer and a senior administrative officer.

ZHANG Jianping（張建平）

Mr. ZHANG, aged 47, is currently an independent supervisor of the Company, a professor of the International Business School and the director of the capital markets and investment and financing research center of University of International Business and Economics. Mr. Zhang was the research director of the Department of Teaching and Research, the faculty dean and vice president of the International Business School of University of International Business and Economics. He is currently an independent director of SDIC Zhonglu Company Limited and Zhejiang Huafon Spandex Co., Ltd.. Mr. Zhang graduated from University of International Business and Economics with a PhD in transnational business management.

Directors, Supervisors, Senior Management

XU Zunwu（許遵武）

Mr. XU, aged 55, is currently the deputy general manager of the Company and the vice chairman and managing director of China COSCO Bulk Shipping (Group) Co., Ltd. He previously held positions as the deputy general manager of COSCO Guangzhou, the deputy general manager of COSCO Bulk, deputy general manager and managing director of COSCO HK Shipping, vice president of COSCO Hong Kong, managing director of COSCO HK Shipping Co., Ltd, the general manager of COSCO Shenzhen, the managing director of COSCO Bulk. Mr. Xu has over 30 years of experience in the maritime industry and therefore has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University majoring in ocean shipping. He also holds the professional qualification of senior economist.

WAN Min（萬敏）

Mr. WAN, aged 44, is currently the deputy general manager of the Company, the managing director of COSCON and a non-executive director of COSCO Pacific. He was the general manager of Asia-Pacific Trade and American Trade and the deputy general manager of COSCON, the general manager of COSCO International Freight, the president of COSCO Americas Inc. Mr. Wan has over 20 years of corporate management experience in the shipping industry and has extensive experience in corporate management and ocean shipping. Mr. Wan graduated from Shanghai Jiao Tong University with a master's degree in business administration and is an engineer.

WANG Xingru（王興如）

Mr. WANG, aged 47, is currently the deputy general manager of the Company, the vice chairman of the board of directors and the executive managing director of COSCO Pacific and the non-executive director of CIMC. He was the deputy managing director of COSCO Co-Development (Tianjin) Co., Ltd., the deputy general manager of COSCO Industry Company and the general manager of COSCO Shipyard Group Co., Ltd. Mr. Wang has over 20 years of operation and management experience in shipping related industries and has demonstrated excellent experience in enterprise operation and management and assets operation. Mr. Wang graduated from Shandong Industrial University, majoring in machinery manufacturing and holds a master's degree in engineering. He is also a senior engineer with outstanding academic results.

ZHANG Jiqing（張際慶）

Mr. ZHANG, aged 55, is currently the deputy general manager of the Company and the managing director of COSCO Logistics. He was the head of the planning division, the deputy head of the office of general manager and the deputy general manager of the president's affairs division of COSCO, the vice president of COSCO Japan Co., Ltd., the deputy general manager of the management division, the head of the research center, the general manager of the president's affairs division and the head of president's office of COSCO, and the president of COSCO Japan Co., Ltd.. Mr. Zhang has extensive corporate operation management experience in both domestic and overseas shipping industry. Mr. Zhang graduated from Shanghai International Studies University, majoring in Japanese. He is also a senior economist.

HE Jiale（何家樂）

Mr. HE, aged 58, was the chief financial officer of the Company until 9 January 2012. Mr. He is currently the director and chief financial officer of COSCO (Hong Kong) Group Ltd, the executive director of COSCO International. Mr. He had been the deputy director of the finance division of COSCO Shanghai, the deputy general manager of finance department of the container lines headquarters of COSCO Group, the deputy general manager of finance and capital department of COSCO and the chief accountant of COSCON, the financial controller of COSCO Hong Kong. Mr. He has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. He graduated from postgraduate studies in management science and engineering from Shanghai University. He is a senior accountant.

Directors, Supervisors, Senior Management

FENG Jinhua（豐金華）

Mr. FENG, aged 56, is currently the chief financial officer of the Company, an executive director of COSCO Pacific and a director of China COSCO Bulk Shipping (Group) Co., Ltd. He was deputy head and the head of the finance division, the head of planning and financial division, the deputy chief accountant, the chief accountant and a member of the CPC subcommittee of COSCO Qingdao, the general manager of the finance and capital division and of the finance division of COSCO, and the general manager of the finance department of the Company. Mr. Feng has over 30 years of experience in the shipping industry and has extensive experience in respects of finance, assets and financial management. Mr. Feng graduated from the University of International Business and Economics, majoring in executive business administration and obtained a master's degree. He is a senior accountant.

ZHANG Yongjian（張永堅）

Mr. ZHANG, aged 61, was the secretary of the board of the Company until 9 January 2012. Mr. Zhang had been the head of the shipping department and the deputy general manager of COSCO Dalian and assistant president and the general manager of the planning division of COSCO Hong Kong and the general manager of the planning department of COSCO. Mr. Zhang has over 30 years of experience in the shipping business, as well as in legal work. Mr. Zhang graduated from the Shanghai Maritime University and the Dalian Maritime University. He has a master's degree in law and is a senior economist.

GUO Huawei（郭華偉）

Mr. GUO, aged 47, is currently the secretary to the Board and the joint company secretary of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division and the deputy general manager (in charge of the work) of the asset management division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in asset management. Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He is a PhD student and a senior economist.

WANG Xiaodong (王曉東)

Mr. WANG, aged 54, is currently the assistant to the general manager of the Company. Mr. Wang was the deputy general manager of Trade Division of China COSCO, the general manager of China Marine Bunker Supply Company, the deputy general manager of COSCO International Trading Company, the general manager of COSCO Industry Company, the deputy general manager and the managing director of COSCO International Holdings Ltd. He has 30 years of experience in the shipping industry and has extensive experience in operating and managing domestic and foreign enterprises and listed companies. He obtained a master's degree in business administration and is a senior engineer.

HUNG Man, Michelle（洪雯）

Ms. Hung, aged 43, is currently a joint company secretary of the Company. She has been appointed as the General Counsel and the Company Secretary of COSCO Pacific, since November 1996 and March 2001, respectively. Ms. Hung is responsible for all legal, corporate governance, compliance, company secretarial and related matters for COSCO Pacific. She is also a member of the Corporate Governance Committee and Risk Management Committee of COSCO Pacific. Ms. Hung obtained a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is a practicing solicitor in Hong Kong and qualified in England and Wales. Ms. Hung was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-08) by the renowned Asian Legal Business Magazine.

Corporate Governance Report

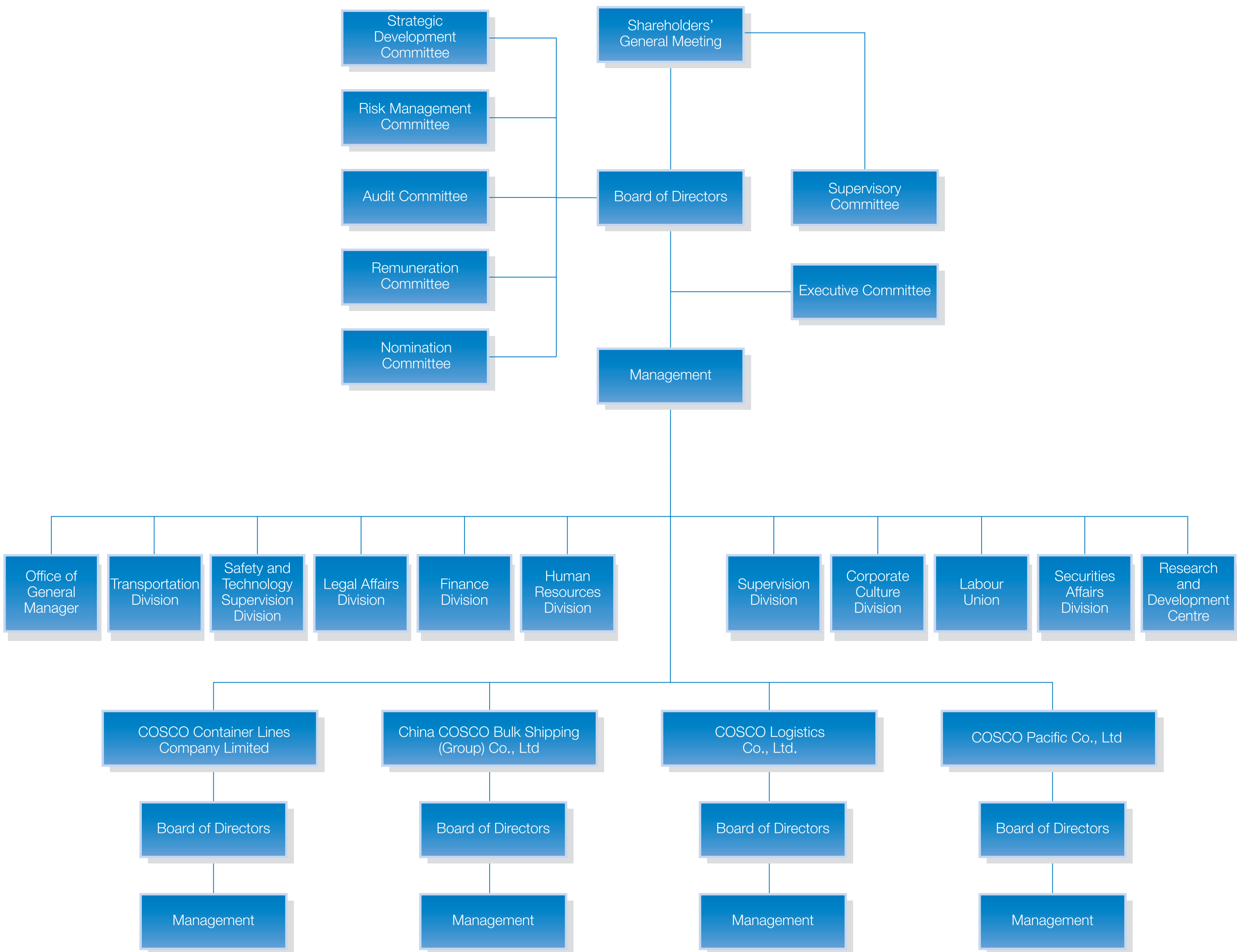
I. Corporate Governance

The Company attaches high importance to its development in a regulated manner by improving its corporate governance. The corporate governance of the Company is supervised by the shareholders' general meeting, Board of Directors and Supervisory Committee. The shareholders' general meeting and the Board of Directors are well organized and regulated to ensure that accurate and fair information is disclosed promptly. Comprehensive and effective internal control system in respect of connected transactions is in place. The Company has strengthened its relationship with investors. In order to protect the rights of investors to know and to make recommendations, the Company maintains effective communication channels for investors. Circulation and documentation of confidential information of the Company are strictly restricted to prevent insider trading. The Company also promotes corporate governance by providing relevant training to its employees and implementing effective measures.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the directors of the Company. Having made specific enquiries with all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

III. Corporate Governance Structure



Corporate Governance Report

1. Shareholders' general meetings

The shareholders' general meeting of the Company is conducted in strict compliance with the procedures as stipulated under the Company Law of the PRC, the Articles of Association of the Company, and the Rules of Procedures for Shareholders' General Meetings of the Company, and each of the resolutions is adopted scientifically and democratically to protect the lawful interests of the Company and the shareholders. In order to allow domestic and overseas shareholders the same right to attend general meetings, the Company's general meetings were held through video conference. Venues were arranged in Beijing and Hong Kong respectively for the convenience of domestic and overseas shareholders.

In accordance with the Company's Articles of Association, shareholders individually or jointly holding 10 percent or more of the Company's shares may request the Board of Directors to convene an extraordinary general meeting. The Board of Directors shall convene such meeting within two months after such requisition.

Where the Company is to hold an annual shareholders' general meeting, shareholders separately or in aggregate holding more than 3 percent of the shares of the Company may propose motions to the Company, which shall be submitted or delivered to the convenor in writing twenty days prior to the date of the shareholders' general meeting.

The Company has amended its Articles of Association in the extraordinary general meeting held on 12 November 2012 during the year of 2012. For details, please refer to the announcement of the Company dated 12 November 2012 and the section headed "Management Discussion and Analysis – IV. Profit distribution or capitalisation of surplus reserves".

2. Board of Directors

The Board of Directors is the decision making organ of the Company. Election and appointment of Directors shall comply with the provisions under the Articles of Association of the Company, and the number and composition of the Board of Directors shall comply with the relevant laws and regulations. Currently, the Board of Directors is made up of twelve members, comprising four executive Directors, four non-executive Directors and four independent non-executive Directors. All the members of the Board of Directors possess the professional knowledge required to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently.

3. Supervisory Committee

The Supervisory Committee is the supervisory body of the Company. The number and composition of the Supervisory Committee shall comply with the provisions and requirements of the relevant laws, regulations and the Articles of Association of the Company. Currently, the Supervisory Committee is made up of six members, including two shareholder representative Supervisors, two staff representative Supervisors democratically elected by staff, and two independent Supervisors. The Supervisors of the Company shall seriously discharge their duties, and shall protect the interests of the shareholders and the Company through inspecting the Company's financial situation, implementation of resolutions of the general meetings, and discharge of duties by the senior management.

4. Management

The election and appointment of management of the Company shall be in strict compliance with the Articles of Association of the Company. The managers of the Company shall discharge their duties and power limits as strictly required, seriously implement the resolutions of the Board, and implement effective management and control on the operation management of the Company, and continue to enhance the Company's management level and operation results.

IV. Report on the Company's compliance of the "Corporate Governance Code"

The Board of Directors reviews the Company's daily governance in accordance with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, and considers that the Company has complied with the code provisions under the Code during the reporting period, and complied with the requirements under the code provisions of the Code, and has made its best efforts to comply with the proposed best practices.

A. Directors

A1. Board of directors

Principle of the Code • The board shall assume responsibility for leadership and control of the issuer and be responsible for directing and supervising the issuer's affairs. Its decisions shall be in the interests of the issuer. • The board shall regularly review the duty performance of a director for the issuer, and whether sufficient time has been devoted to the performance of duties.
The current best situation in the governance of China COSCO • The Board of the Company fully represents the shareholders' interests, and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association of the Company, and monitors and finalizes the implementation of the Company's operation management, so as to realize a steady return of long term results. • Directors attend Board meeting as scheduled and carefully review materials of the meetings. The attendance of all directors reach 100%. Independent directors regularly inspect the management of connected transactions of the Company.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• To convene at least four regular meetings of the board, about once in each quarter. Each of the regular Board meetings shall be attended by the majority of eligible directors in person. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board To disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report	Yes	• In 2012, the Company convened 8 Board meetings, including 4 on-site meetings and 4 meetings by written resolutions. Each of the Board meetings was attended by all directors in person. Attendance of Board members in 2012 was 100% and is listed as follows: (see attendance table below)
• All directors have opportunities to include matters in the agenda for regular board meetings	Yes	• Relevant notice will be given to the directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.

	(Number of attendance/ Number of meetings to be attended)			
	Board meetings	Attendance	General meetings	Attendance
WEI Jiafu	8/8	100%	4/4	100%
MA Zehua	8/8	100%	3/4	75%
LI Yunpeng (1)	7/7	100%	3/3	100%
SUN Yueying	8/8	100%	3/4	75%
SUN Jiakang	8/8	100%	3/4	75%
XU Minjie	8/8	100%	3/4	75%
YE Weilong (2)	2/2	100%	1/1	100%
JIANG Lijun	7/7	100%	3/3	100%
TEO Siong Seng	8/8	100%	3/4	75%
FAN HSU Lai Tai, Rita	8/8	100%	4/4	100%
KWONG Che Keung, Gordon	8/8	100%	4/4	100%
Peter Guy BOWIE	8/8	100%	4/4	100%
ZHANG Liang (3)	1/1	100%	1/1	100%

Notes:

(1) Mr. LI Yunpeng was appointed as a non-executive director of the Company on 28 February 2012;

(2) Mr. YE Weilong was appointed as a non-executive director of the Company on 12 November 2012;

(3) Mr. ZHANG Liang resigned from the office of executive director of the Company with effect from 28 February 2012.

Code provisions	Compliance	Procedures of Corporate Governance
• Notices of regular board meetings shall be sent at least 14 days before the convening of the meetings	Yes	• Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time.
• Minutes of meetings shall be kept by the board secretary, and are available for inspection by directors at any reasonable time	Yes	• The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by directors at any time.
• The minutes of the meetings shall record in sufficient detail the matters considered by the board and the decisions reached • Directors are entitled to seek independent advice in accordance with the agreed procedures at the company's expense	Yes Yes	• Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by directors in the meetings, and confirmed by the directors. • In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon director's request to provide independent opinions at the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests in a material matter, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at that board meeting	Yes	• The Company has made provisions in respect of abstaining from voting of related directors in the Articles of Association and the Rules of Procedures of the Board of Directors. When considering matters such as the reports of funds utilization by controlling shareholders and other related parties in 2011 and renewal of Master Service Agreement for continuing connected transactions in 2013-2015 with COSCO Pacific, the relevant connected directors abstained from voting in the Board meetings.
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has maintained liability insurance for directors, supervisors and senior management.

A2. Chairman and the Chief Executive Officer ("CEO")

Principle of the Code • Clear division of responsibilities between the chairman of the board and the Chief Executive Officer, to ensure the balance of power and authority.
The current best situation in the governance of China COSCO • The Company has clearly specified the duties of the Chairman and the Chief Executive Officer, and separated the functions of the Board and management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Works of the General Manager, so as to ensure that the balance of power and authority, and ensure the independence of Board decisions, thereby ensuring the independence of the daily operation activities of management.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and the Chief Executive Officer shall be separate, and shall be clearly established and set out in writing	No	• The Board considers that abrupt separation of the roles of the Chairman and Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure, and might affect the ordinary business activities of the Company. The Board will review the current structure from time to time, and will make necessary arrangements as appropriate as considered by the Board.
• The chairman shall ensure that all directors are properly briefed on issues arising at board meeting	Yes	• In respect of matters to be considered by the Board, adequate information has been provided to the directors with sufficient communication before the meeting, and special meetings have been convened upon the request of the directors to report on the matters concerned. Detailed explanations would be made in the meeting by the Chairman or management of the Company on the motions where necessary.
• The chairman shall ensure that the directors receive adequate information in a timely manner	Yes	• The Chairman has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the directors each month and the management of the Company has presented the key data of performance to members of the Board each month, so that the directors may obtain timely and adequate information.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman shall be responsible for drawing up and approving the agenda of board meetings	Yes	• Agenda of Board meetings are negotiated by the Chairman with the executive directors and the Board secretary, and are decided after taking into consideration of all the matters proposed by each director.
• The chairman shall be responsible for ensuring that good corporate governance practices and procedures are established	Yes	• The Chairman assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman shall encourage all directors to make full and active contribution to the board's affairs	Yes	• The Chairman has encouraged all directors to be involved in the affairs of the Board to make effective contribution to the Board, and requested the Board to act in the best interests of the Company.
• The chairman shall at least hold one meeting each year with the non-executive directors (including independent non-executive directors) without the attendance of executive directors	Yes	• The Chairman conducts meeting with non-executive directors before the start of each on-site Board meeting.
• The chairman shall ensure appropriate measures to maintain effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the shareholders, attended and presided over shareholders' general meetings, and continued to promote and improve investor relations, and dedicated in realizing maximum returns to shareholders.
• The chairman shall facilitate the effective contribution of directors to the board, and ensure the executive directors and non-executive directors maintain constructive relations with each other	Yes	• The Chairman has placed great emphasis on the contributions of directors to the Board, and made efforts to ensure the executive directors and non-executive directors maintain constructive relations with each other.

A3. Board Composition

Principle of the Code
• The Board shall have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. Non-executive directors shall be of sufficient calibre and number for their views to carry weight.
The current best situation in the governance of China COSCO
• The Board of the Company is made up of twelve members, comprising four executive directors, four non-executive directors and four independent non-executive directors, with independent directors representing one third of the members of the Board. • The independent non-executive directors of the Company have expertise and experience in areas such as navigation, corporate management, finance and laws, and are able to make independent judgments, which ensures the decisions of the Board are cautious and comprehensive. • There is no relationship (including financial, business, family or other material relationship) between the members of the Board.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive Directors shall be expressly identified as such in all corporate communications	Yes	• The Company has disclosed the composition of the Board members according to the category of the directors in all corporate communications.
• Maintain on the website an updated list of members of the Board, identifying their role, function and independency	Yes	• The Company has posted the list of Board members and their biographies on its website, setting out their role, function and independency.

A4. Appointments, re-election and removal

Principle of the Code
• The procedures for the appointment of new directors shall be formal, considered and transparent. There shall be plans in place for orderly succession for appointments to the board. All directors shall be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.
The current best situation in the governance of China COSCO
• The Company has set up a Nomination Committee under the Board. The Nomination Committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of directors, present the proposals for the Board's consideration, which will finally be determined by the shareholders' meeting. The resignation of a director and the reason for such resignation shall be disclosed in a timely manner.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The appointment of non-executive directors shall have specific terms of office, and shall be subject to re-election	Yes	• As provided in the Articles of Association, directors (including non-executive directors) are elected at the shareholders' general meeting for a term of three years, and are elected by cumulative voting at the shareholders' general meeting upon expiry of the three year's term.
• Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	• The directors appointed to fill in temporary vacancies are re-appointed after election by shareholders in the shareholders' general meeting.
• Each director shall retire by rotation at least once in every three years	Yes	• Up to date, the directors of the Company are subject to re-election by the shareholders' general meeting according to their sessions. The members of the Board may change for each session.
• In the case the term of office of an independent non-executive director has exceeded nine years, any proposal of re-appointment of such independent non-executive director shall be in the form of independent resolution and considered and approved by the shareholders	Yes	• Article 108 under Chapter 10 of the Articles of Association specifies that the term of office of an independent director shall not exceed six years. It is the Company's practice to hold re-election when such term expires.

A5. Nomination Committee

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer shall set up a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of the members shall be independent non-executive directors	Yes	• The Board of the Company has set up a Nomination Committee, of which chairman is an independent non-executive director and the members include one executive director and one independent non-executive director.
• The issuer shall set out written terms of reference of the nomination committee • The nomination committee shall make available its terms of reference, and explain its roles and powers granted by the board. It should also perform the following duties: (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;	Yes	• The Company has set out the Guidelines for the Works of the Nomination Committee, specifying the powers and duties of the Nomination Committee, and published its terms of reference on the Company's website.

Code provisions	Compliance	Procedures of Corporate Governance
(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships; (c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.		
• The issuer shall provide the nomination committee with sufficient resources to discharge its duties. If necessary, the nomination committee may seek independent professional advice at the expense of the Company.	Yes	• The Company has actively assisted the Nomination Committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.
• Where the Board proposed a resolution to the shareholders' general meeting to elect a person as an independent non-executive director, the circular attached to the notice of the relevant general meeting shall specify the reason for such election.	Yes	• There has been no change of the independent non-executive directors of the Company in 2012.

A6. Responsibilities of directors

Principle of the Code
• Each director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.
The current best situation in the governance of China COSCO
• The Company has set up the Rules of Procedures of the Board of Directors, Guidelines of the Works of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the directors, so as to ensure that all directors fully understand their roles and responsibilities. • The Board secretary is responsible to ensure that all directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• Each newly appointed director shall receive induction on the first occasion of his appointment, to ensure that he has a proper understanding of the business and operations of the issuer and that he is fully aware of his responsibilities under applicable legal requirements and regulatory policies	Yes	• Upon the appointment of a new director, the Company has provided related information to the new director in a timely manner and arranged training for the director, including introduction of the Company's business, responsibilities of directors, the Company's rules and regulations and domestic and overseas laws, regulations and regulatory requirements.

Code provisions	Compliance	Procedures of Corporate Governance
• Functions of non-executive directors should include: (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (b) taking the lead where potential conflicts of interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	Yes	• The Company's non-executive directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinion on the decisions of the Board.
• The director shall ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	• All directors of the Company have diligently discharged the duties of directors. The attendance of directors in the meetings of the Board and various special committees in 2012 exceeded 100%, which shows that the directors have spent sufficient time on the Company's business.
• The board of directors shall formulate written rules for the dealing of shares of the Company by employees and such rules shall not be more lenient than the Model Code	Yes	• According to the relevant requirements of the Model Code, the Company shall give notice of black-out period to directors, supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing of shares of the Company within the specified period.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• All directors shall participate in a programme of continuous professional development. The Company shall be responsible to organize relevant training programme at the expense of the Company	Yes	• All directors have the opportunities to receive professional training programmes arranged by the Company during their terms of appointment at the expense of the Company. The Company has provided assistance to directors to participate in the relevant training programmes organized by the HKSE, SEE and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities in Hong Kong and China to provide training programmes. The average training hours of the directors were not less than 18.
• The directors shall upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	• Each of the directors has upon the acceptance of appointment provided the Company with its positions and other major commitments in other companies and updated the Company if any changes arise.
• The independent non-executive directors and other non-executive directors shall ensure their regular attendance and active participation in Board meetings, the meetings of the committees that they serve and shareholders' general meetings	Yes	• All directors of the Company (including independent non-executive directors and other non-executive directors) have actively attended Board meetings, meetings of the special committees, and shareholders' general meetings.
• The non-executive directors shall provide independent and constructive opinions with grounds to the Company in formulating strategies and policies	Yes	• All non-executive directors of the Company has been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies.

A7. Supply of and access to information

Principle of the Code
• Directors shall be provided in a timely manner with appropriate information in such form and of such quality as will enable them make informed decisions and to discharge their duties and obligations.
The best situation in the governance of China COSCO
• The Board secretary is responsible for the provision of all information to the directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Compliance procedures of the Corporate Governance Code - Code provisions

Code Provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the board/ committees shall be sent to the directors at least three days before the date of the meetings	Yes	• All documents of the past meetings of the Board and special committees were sent to each of the directors at least three days before the meetings.
• Management is responsible for the provision of adequate information in a timely manner to the board and its subordinate committees, so as to enable the board to make informed decisions. Each director shall have separate and independent access to the senior management of the company for further inquiries	Yes	• Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The directors have been able to communicate with management of the Company by themselves to obtain further information required.
• All directors are entitled to access to the board papers and related materials, where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	• The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all directors at any time. The Company shall arrange related personnel to give timely response in respect of the questions raised by directors.

B. Remuneration of Directors and senior management and assessment by the board of directors

B1. The level and make-up of remuneration and disclosure

Principle of the Code • The Company shall set up formal and transparent procedures for setting policy on executive directors' remuneration for fixing the remuneration packages for all directors. No director shall be involved in deciding his own remuneration.
The best situation in the governance of China COSCO • The Company has set up a Remuneration Committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company. • In 2012, the Remuneration Committee convened one meeting to carry out assessment on the senior management and nominated directors and supervisors by the shareholders, and approved the remuneration plan of the senior management for 2011.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee shall consult the chairman or the Chief Executive Officer in respect of the remuneration of other executive directors	Yes	• The Remuneration Committee has fully communicated with the Chairman and the General Manager in respect of the remuneration of the directors, supervisors and senior management.
• Functions of the remuneration committee include: (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developingremuneration policy; (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;	Yes	• The Company has set up the "Guidelines for the Works of the Remuneration Committee of China COSCO Holdings Company Limited" and clearly set out the duties of the committee.

Code provisions	Compliance	Procedures of Corporate Governance
(c) either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, retirement benefit rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (d) to make recommendations to the board on the remuneration of non-executive directors;		

Code provisions	Compliance	Procedures of Corporate Governance
(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (h) to ensure that no director or any of his associates is involved in deciding his own remuneration.		
• The terms of reference of the remuneration committee shall be published on the website of the Company and the Stock Exchange	Yes	• The terms of reference of the Remuneration Committee have been published on the Company's website.

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee shall be adequately resourced to discharge its duties	Yes	• The Company's Human Resources Department and the general office have actively cooperated with the Remuneration Committee to perform their works in the discharge of their duties.
• Issuers shall disclose the details of the remuneration of senior management according to the ranking of remuneration in its annual report	Yes	• The Company has disclosed the remuneration of all directors, supervisors and senior management in its annual reports and accounts.
Recommended Best Practices		
• A significant portion of executive directors' remuneration shall be structured so as to link rewards to corporate and individual performance	Yes	• The remuneration of the executive directors and senior management are in general linked with the performance of the Company and their individual performance.
• The issuer shall disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports	Yes	• The Company has disclosed the remuneration and names of the directors, supervisors and senior management in the annual reports and accounts.
• The directors shall evaluate its performance regularly	Yes	• The board of the Company has carried out an evaluation annually.

C. Accountability and Audit

C1. Financing reporting

Principle of the Code • The Board shall present a clear and comprehensive assessment of the Company's performance, position and prospects.
The best situation in the governance of China COSCO • All regular financial reports issued to shareholders were in compliance with the regulatory requirements of both the stock exchanges in Hong Kong and Shanghai, and continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Management shall provide such explanation and information for the board to make an informed assessment on the relevant matters	Yes	• Management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• Management shall provide the members of the board of directors with the latest information regarding the financial position and prospects of the Company monthly	Yes	• Management of the Company has submitted the main performance data to the members of the board monthly.
• The directors shall acknowledge their responsibilities for preparing the accounts and auditors shall make statement about their reporting responsibilities in the report	Yes	• The directors have repeated their declarations of responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. • The auditors' reports have specified the reporting responsibilities of the auditors.
• The directors shall discuss and analyze the performance of the Company in the annual report and illustrate the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company	Yes	• The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets.
• The board shall make a balanced, clear and understandable assessment on the Company's performance in its regular reports, announcements involving price sensitive/ inside information and other discloseable financial information	Yes	• In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.

Recommended Best Practices		
• The issuer shall announce and publish its quarterly financial results within 45 days after the end of the relevant quarter • Once the issuer decides to announce and publish its quarterly financial results, it shall continue to adopt quarterly reporting	Yes	• In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within 1 month after the end of the first and third quarter, and the information disclosed are sufficient for the shareholders to assess the Company's performance, financial position and prospects.

C2. Internal controls

Principle of the Code
• The board shall ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's assets.
The best situation in the governance of China COSCO
• The Company has established an internal control system, to review the relevant financial, operational and regulatory control procedures from time to time and update and refine the internal control system according to the actual situation from time to time, so as to protect the Company's assets and the shareholders' interests. • In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the China and Hong Kong accounting standards, and provided independent and objective appraisals and suggestions by way of audit reports.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The Directors shall at least annually conduct a review of effectiveness of its internal control systems (including the financial control, operational control and compliance control and risk management functions)	Yes	• The Company has placed strong emphasis on its internal control, and has established an internal control system, and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's financial controller has reported to the Audit Committee and the Board on the internal control each year for the appraisals by all directors.
Recommended Best Practices		
• Companies shall disclose a narrative statement in the corporate governance report, specifying how they have complied with the code provisions on internal control during the reporting period.	Yes	• The Company has disclosed how it complied with the code provisions on internal control during the reporting period in accordance with the relevant requirements of the corporate governance report.
• The issuer shall ensure their disclosures provide meaningful information	Yes	• In all the announcements issued to shareholders, the Company has ensured that the information disclosed was meaningful, and has warranted that there were no false records, misleading statements or material omissions in the information, and assumed individual and related responsibilities on the truthfulness, accuracy and completeness of the contents.

C3. Audit Committee

Principle of the Code
• The audit committee shall have clear terms of reference, including arrangements as to how it will apply the financial reporting and internal control principles, and shall maintain an appropriate relationship with the company's auditors.
The best situation in the governance of China COSCO • The Board of the Company has set up an Audit Committee, chaired by Mr. KWONG Che Keung, Gordon, an independent non-executive director. Other members include Ms. SUN Yueying (a non-executive director) and Mr. Teo Siong Seng (an independent non-executive director), all of them have professional skills and experience on financial management and are non-executive directors (including two independent non-executive directors). One independent director has been appointed with professional qualification and professional experience in financial management. • The Audit Committee is mainly responsible for the supervision of the internal system set up of the Company and its subsidiaries and its implementation; audit on the financial information and disclosures of the Company and its subsidiaries; review on the internal control system (including financial control and risk management) of the Company and its subsidiaries; planning of material connected transactions and communications; supervisions and verifications on the Company's internal and external audits. • In 2012, the Audit Committee has convened five meetings, wherein management and the Chief Financial Officer reported the Company's financial situation and material issues relating to internal control.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee shall be kept by a duly appointed secretary, and confirmed by all the members of the committee	Yes	• The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The minutes of meetings of the Audit Committee have detailed records on the matters considered in the meetings, and are confirmed by all the members present in the meetings.
• The former partner of the existing auditors shall not be a member of the audit committee	Yes	• Audit Committee chairman Mr. KWONG Che Keung, Gordon and members Mr. Teo Siong Seng and Ms. SUN Yueying are not former partners of the auditors.
• The terms of reference of the audit committee shall be specified	Yes	• The Company has set up the written terms of reference of the Audit Committee, specifying the terms of reference and rules of procedures of the meeting regarding the relationship with the auditors, the review of financial information, supervision of the financial reporting system and internal control procedures of the Company.
• The terms of references of the Audit Committee shall be disclosed on the website of the Company and the Stock Exchange	Yes	• The Terms of Reference of the Audit Committee has been published on the Company's website.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	Yes	• The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.

Code provisions	Compliance	Procedures of Corporate Governance
• The audit committee shall be adequately resourced to discharge its duties	Yes	• The Company actively assisted the Audit Committee to perform its works. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
• Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action	Yes	• The Company has formulated the Terms of Reference of the Audit Committee, which facilitates the set up of channels for reporting possible improprieties in financial reporting, internal control or other matters so that the Company can carry out fair and independent investigation of these matters and take appropriate follow-up action.
• The relationship of the issuer and external auditors shall be monitored	Yes	• Mr. KWONG Che Keung Gordon, a member of the Audit Committee, acts as major representative between the Company and the external auditors, and is responsible for the monitoring and coordinating of their relationship.
Recommended Best Practices		
• The Audit Committee shall establish a reporting policy and system to encourage employees and other parties who deal with the Company (including customers and suppliers) to directly report any irregularities to the Audit Committee.	Yes	• The Company has set up a system of reporting of the fraudulent cases to the directors of the Company, and formulated the "Rules of Procedures of Internal Reporting of Information Regarding Material Breach of China COSCO" which was approved by the board and the Audit Committee. The rules require that any violation shall be promptly and separately disclosed to provide details known to the Company.

D. Delegation by the Board

D1. Management Functions

Principle of the Code • The issuer shall have a formal schedule of matters specifically reserved to the board for its decisions and which may be delegated to management, and give directions to management on matters that must be approved by the board.
The best situation in the governance of China COSCO • The main powers of the Board include to convene shareholders' general meetings; to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies; to prepare the Company's annual financial budgets, final accounts and profit distribution plans; to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans; and implement resolutions of the general meetings. • The Board may delegate part of its powers to the special committees and management, and specify matters that must be approved by the Board.

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and functions to management, it shall at the same time give clear directions as to the power of management	Yes	• Management is accountable to the Board. Its main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. Management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• The issuer shall formalize the functions reserved to the board and those delegated to management, and shall review on a periodic basis	Yes	• In the Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to management.
• The issuer shall disclose the division of responsibilities between the board and management	Yes	• In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specifically set out the division of responsibilities between the Board and management, and has made announcements to the public.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer shall have formal letters of appointment for directors, setting out the principal terms and conditions relative to their appointment	Yes	• Each of the new directors has received a formal appointment letter, specifying the principle terms and conditions relative to such appointment.

D2. Board Committees

Principle of the Code

- The establishment of the board committees shall have written terms of reference, which clearly specify the rights and duties of the committees.

The best situation in the governance of the Company

- The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors.
- Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

The attendance of the meetings of special committees (number of attendance in person/number of meetings to be attended)

Director	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
WEI Jiafu	—	—	—	—	—	1/1
Ma Zehua	—	—	—	—	—	1/1
LI Yunpeng (1)	1/1	—	—	1/1	—	1/1
SUN Yueying	—	—	5/5	—	—	1/1
SUN Jiakang	—	2/2	—	—	—	1/1
XU Minjie	—	2/2	—	—	—	1/1
YE Weilong (2)	—	—	—	—	—	—
JIANG Lijun (3)	1/1	—	—	—	1/1	1/1
TEO Siong Seng	—	—	5/5	—	1/1	—
FAN HSU Lai Tai, Rita	—	—	—	2/2	1/1	—
KWONG Che Keung, Gordon	—	—	5/5	2/2	—	—
Peter Guy BOWIE	1/1	2/2	—	—	—	—
ZHANG Liang (4)	—	—	—	—	—	—

Notes:

1. Mr. Li Yunpeng was appointed as a non-executive director of the Company on 28 February, 2012 and a member of the Strategic Development Committee and Remuneration Committee on 29 March 2012

2. Mr. Ye Weilong was appointed as a non-executive director of the Company on 12 November, 2012

3. Mr. Jiang Lijun was appointed as an executive director of the Company on 28 February, 2012 and a member of the Strategic Development Committee and Nomination Committee on 29 March, 2012

4. Mr. Zhang Liang resigned as executive director of the Company on 28 February, 2012

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The board shall prescribe sufficiently clear terms of reference of the committees, to enable such committees to discharge their functions properly	Yes	• The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. Each of the committees has specific working guidelines, setting out the rights and obligations of the committees.
• The terms of reference of the committees shall require them to report back to the board on their decisions and recommendations	Yes	• The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

D3. Corporate Governance Functions

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The terms of reference of the board of directors (or the committee performing this duty) shall include: to formulate and review the policies and practices of corporate governance of the issuer and make recommendations to the board of directors; to review and supervise the training and continuous professional development of directors and senior management; to review and supervise the polices and practices for the compliance of laws and regulatory rules of the issuer; to formulate manual for the review and supervision of the code of conduct and compliance of employees and directors; to review the compliance of the Code and the disclosure in the Corporate Governance Report	Yes	• The Company has amended the terms of reference of the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee, arranged professional trainings for directors, supervisors and senior management, provided supervisory reports to directors, supervisors and senior management regularly or from time to time, and formulated and implemented the Rules on Internal Reporting Procedure of Material Violation of Laws and Regulations of COSCO according to the revised Listing Rules.
• The board of directors shall perform the duties of corporate governance set out in the above terms of reference	Yes	• The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Grovernance Code and the Articles of Association of the Company.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code
• The board shall endeavour to maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The best situation in the governance of China COSCO
• The Board endeavours to maintain communication with shareholders, and has taken annual general meetings and extraordinary general meeting as major opportunities to have contact with shareholders, and all shareholders of the Company are entitled to attend the meetings. • The Company issued notices and circulars of general meetings according to the Articles of Association and Listing Rules, setting out details of business to be considered in the meetings and the voting procedures.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution shall be proposed by the chairman of the meeting in respect of each substantially separate issue. Issuers shall avoid including different issues in one resolution	Yes	• Each actual independent matter submitted for consideration by the general meeting has been raised as individual resolution. The Company has not included different issues in one resolution in any of the past general meetings.
• The chairman of the board shall attend the annual general meeting and invite the chairman of specified committees to attend the meetings. The management of issuers shall ensure the external auditors to attend the annual general meeting	Yes	• The chairman of the Board has attended the annual general meetings, extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and management to reply to the inquiries of shareholders in the meetings. • The external auditors of the Company have attended all past annual general meetings and extraordinary general meetings of the Company, and were well-prepared to answer the enquiries from shareholders.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer shall arrange for the delivery of notice to shareholders at least 20 clear business days before the meeting in the case of an annual general meeting or at least 10 clear business days in the case of all other general meetings	Yes	• The Company has strictly complied with the requirements of the Articles of Association and dispatched the written notices at least 45 days before the annual general meetings or extraordinary general meetings, informing the details of business to be considered in the meetings, date, time and venue of the meetings to the shareholders whose names appeared on the register.
• The board of directors shall establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness	Yes	• The Company has added relevant articles in the Articles of Association, further defining the specific procedures for shareholders to express their opinions.

E2. Voting by poll

Principle of the Code
• The issuer shall regularly inform shareholders of the procedures of voting by poll, and ensure compliance with the requirements under the Listing Rules and the Articles of Association.
The best situation in the governance of China COSCO • The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association. • The Company has confirmed the validity of all shareholders present and voted in the meetings, appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed lawyers to issue legal opinions on the procedures of annual general meeting and results of voting. Results of voting were announced on designated newspapers and the website.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman of the general meeting shall ensure the procedures of voting were explained in detail and answer the questions raised by shareholders about voting prior to the commencement of the meeting	Yes	• Prior to the commencement of the general meeting, the chairman of the meeting shall explain the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements in the procedures for raising questions by shareholders.

F. Company Secretary

Principle of the Code • The company secretary is mainly responsible for providing assistance to directors, ensuring the effective communication between the members of the board of directors and acting in compliance with the policies formulated by the board of directors and procedures. The company secretary shall make recommendations to the board of directors on corporate governance through the chairman and/or chief executive and arrange training and professional development for the directors.
The best situation in the governance of China COSCO • Currently, the Company has appointed one company secretary, who is responsible in enhancing the corporate governance of the Company and provide assistance to directors for duty performance and organize information disclosure of the Company.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Company secretary is an employee of issuer and has acquired understanding of daily operation of the issuer	Yes	• The company secretary is an employee of the Company and has acquired understanding of the daily operation of the Company.
• The selection, appointment and dismissal of the company secretary are subject to the approval of the board of directors	Yes	• The appointment of the existing company secretary was approved by the board of directors in the 5th meeting of the 3rd session of the board of directors.
• The company secretary shall report to the chairman of the board of directors and/or the chief executive officer	Yes	• The company secretary reports to the chairman of the board of directors and/or the general manager of the Company.
• All directors shall have access to the advice and services of the company secretary to ensure the procedures of the board of directors and all applicable laws and regulations are followed	Yes	• The company secretary has established an effective communication channel with all directors, so as to assist the board of directors and the general manager to be in compliance with domestic and foreign laws and regulations, the Articles of Association and other relevant requirements when performing their duties.

Report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board of Directors

The Company has formulated the Terms of Reference of the Audit Committee, which defines duties and responsibilities of the audit committee, including the relationship with external accounting firm, the reviewing of the financial information of the Company, the overseeing of the financial reporting system and internal control procedures of the Company, the reviewing of whether the investigations regarding the financial report, and the internal control or other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

Since 17 May 2011, members of the audit committee are Mr. Kwong Che Keung, Gordon (chairman, an independent non-executive director), Ms. Sun Yueying (a non-executive director) and Mr. Teo Siong Seng (an independent non-executive director). During the reporting period, the audit committee held 5 meetings to review the Company's annual report, interim report, quarterly reports, internal control system, status of internal audit, internal audit plan and the re-appointment of auditors.

Corporate Governance Report

Report on the performance of the remuneration committee under the Board of Directors

Members of the third session of the remuneration committee under the Board of Directors were Ms. Rita FAN Hsu Lai Tai (chairman, an independent non-executive Director), Mr. LI Yunpeng (a non-executive Director) and Mr. KWONG Che Keung (an independent non-executive Director).

In 2012, the remuneration committee convened two meetings. The first meeting considered and approved the following resolutions: the assessment of the grantees of stock appreciation right in 2011, the movement of stock appreciation right in 2011, the assessment of the senior management of China COSCO in 2011, the remuneration of the senior management in 2011 and the performance of the Remuneration Committee of 2011. In addition, the committee made recommendations on the performance of senior management in assessment to the Board. The second meeting in written considered and approved the following resolutions: the standard of the remuneration of the assistant to the general manager of China COSCO.

Report on the performance of the nomination committee under the Board of Directors

Since 18 February 2012, members of the nomination committee under the Board of Directors are Mr. TEO Siong Seng (chairman, an independent non-executive Director), Ms. Rita FAN Hsu Lai Tai (an independent non-executive Director) and and Mr. JIANG Lijun (an executive Director). During this period, the nomination committee had convened one meeting to consider and approve, inter alia, the recommendation on the nomination of Mr. YE Weilong as director of the Company.

Auditors' Remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and RSM China Certified Public Accountants, LLP., a special general partnership; as the PRC auditor of the Company for 2012.

Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB36,066,000, RMB12,255,000 and RMB6,363,000, respectively.

Nature of Service	2012 (RMB'000)	2011 (RMB'000)
Audit service	36,066	39,112
Audit related service	12,255	10,650
Non-audit services		
– Tax related services	4,843	2,106
– Circular related services	700	—
– Other advisory services	820	—

The Board is pleased to present the Directors' Report of the year 2012 together with the audited financial statements of the Group for the year ended 31 December 2012.

Principal Activities

The Group is engaged in providing container shipping, dry bulk shipping, logistics, managing and operating container terminals and container leasing businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2012 are set out in note 40 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2012 are set out on pages 146 to 147 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2012, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements. The distributable reserves of the Company as at 31 December 2012 were RMB-472,020,120.17, being the amount determined in accordance with the China Accounting Standards.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 21 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in note 6 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 23 to the consolidated financial statements.

Pre-emptive Rights

The Articles of Association of the Company and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to shareholders on a pro-rata basis to their shareholdings.

Directors' Report

Tax Relief

The Company is not aware of any tax relief available to shareholders by reason of their holding of the Company's securities.

Share Capital

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

Directors and Supervisors

The directors of the Company during the year and up to the date of this annual report were as follows:

Name	Date of appointment as Directors	Date of resignation as Directors
Executive directors		
MA Zehua (Vice Chairman)	12 October 2011	N/A
SUN Jiakang	17 May 2011	N/A
XU Minjie	17 May 2011	N/A
JIANG Lijun (President)	28 February 2012	N/A
ZHANG Liang (President)	15 May 2007	28 February 2012
Non-executive directors		
WEI Jiafu (Chairman)	28 February 2005	N/A
LI Yunpeng	28 February 2012	N/A
SUN Yueying	7 March 2005	N/A
YE Weilong (Vice President)	12 November 2012	N/A
Independent non-executive directors		
TEO Siong Seng	6 June 2008	N/A
FAN HSU Lai Tai, Rita	17 May 2011	N/A
KWONG Che Keung, Gordon	17 May 2011	N/A
Peter Guy BOWIE	17 May 2011	N/A

The supervisors of the Company during the year and up to the date of this annual report were as follows:

Name	Positions	Date of appointment as Supervisors	Date of cessation as Supervisors
LI Yunpeng	Chairman of Supervisory Committee	17 May 2011	28 February 2012
WU Shuxiong	Supervisor	17 May 2011	6 January 2012
YU Shicheng	Independent Supervisor	17 May 2011	28 February 2012
MA Jianhua	Supervisor	17 May 2011	N/A
LUO Jiulian	Supervisor	17 May 2011	N/A
MENG Yan	Independent Supervisor	17 May 2011	N/A
GAO Ping	Supervisor	6 January 2012	N/A
SONG Dawei	Chairman of Supervisory Committee	28 February 2012	N/A
ZHANG Jianping	Independent Supervisor	28 February 2012	N/A

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all of the four independent non-executive Directors are considered to be independent.

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 60 to 66 of this report.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's connected transactions, including the related party transactions as disclosed in note 38 to the consolidated financial statements, to the extent that they also constitute connected transactions, are disclosed in the annual report of the Company as follows:

1. On 28 October 2010, the Company and COSCO Finance Ltd. ("COSCO Finance") entered into a financial services agreement (the "Financial Services Agreement") in relation to the provision of certain financial services provided by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries) for the renewal of the financial services agreement which expired on 31 December 2010. The Financial Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Financial Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company and COSCO Finance is a non-wholly owned subsidiary of COSCO, COSCO Finance is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

2. On 28 October 2010, the Company and COSCO entered into a master vessel services agreement (the "Master Vessel Services Agreement") in relation to the mutual provision of vessel services between the Group and its associates and the COSCO Group and its associates for the renewal of the master vessel services agreement which expired on 31 December 2010. The Master Vessel Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Vessel Servcies Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

3. On 28 October 2010, the Company and COSCO entered into a master general services agreement (the "Master General Services Agreement") in relation to the mutual provision of general services between the Group and its associates and the COSCO Group and its associates for the renewal of the master general services agreement which expired on 31 December 2010. The Master General Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master General Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

4. On 28 October 2010, the Company and COSCO entered into a master overseas agency services agreement (the "Master Overseas Agency Services Agreement") in relation to the provision of overseas agency services by the COSCO Group and its associates to the Group and its associates for the renewal of the master overseas agency services agreement which expired on 31 December 2010. The Master Overseas Agency Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Overseas Agency Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

5. On 28 October 2010, the Company and COSCO entered into a master seamen leasing agreement (the "Master Seamen Leasing Agreement") in relation to the mutual provision of seamen leasing services between the Group and its associates and the COSCO Group and its associates for the renewal of the master seamen leasing agreement which expired on 31 December 2010. The Master Seamen Leasing Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Seamen Leasing Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

6. On 28 October 2010, the Company and COSCO entered into a master premises leasing agreement (the "Master Premises Leasing Agreement") in relation to the mutual leasing of premises between the Group and its associates and the COSCO Group and its associates for the renewal of the master premises leasing agreement and the master properties leasing agreement which expired on 31 December 2010. The Master Premises Leasing Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Premises Leasing Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

7. On 28 October 2010, the Company and COSCO entered into a master container services agreement (the "Master Container Services Agreement") in relation to the provision of container services by the COSCO Group and its associates to the Group and its associates for the renewal of the master container services agreement which expired on 31 December 2010. The Master Container Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Container Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

8. On 28 October 2010, the Company and COSCO entered into a master solicitation activities agreement (the "Master Solicitation Activities Agreement") in relation to the provision of solicitation activities by the COSCO Group and its associates to the Group and its associates for the renewal of the master solicitation activities agreement which expired on 31 December 2010. The Master Solicitation Activities Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Solicitation Activities Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

9. On 28 October 2010, the Company and COSCO entered into a master port services agreement (the "Master Port Services Agreement") in relation to the provision of port services by the COSCO Group and its associates to the Group and its associates for the renewal of the master port services agreement which expired on 31 December 2010. The Master Port Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Port Services Agreement gives a non-renewal notice in writing to the other party.

As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

10. On 28 October 2010, the Company and COSCO entered into a time charter master agreement (the "Time Charter Master Agreement") in relation to the mutual provision of time charter of vessels between the Group and its associates on one side and COSCO Oceania Chartering Services Pty. Ltd. ("COSCO Bulk Oceania"), COSCO Europe Bulk Carrier Company Limited ("COSCO Bulk Europe"), COSCO Bulk Carrier Americas Company Limited ("COSCO Bulk Americas"), COSCO (Singapore) Pte Ltd. ("COSCO Singapore"), Xiamen COSCO Carrier Corporation ("Xiamen COSCO"), Sino-Poland Joint Stock Shipping Company ("Sino-Poland") and Sino-Tanzania Joint Shipping Company ("Sino-Tanzania") on the other side for the renewal of the time charter master agreement which expired on 31 December 2010. The Time Charter Master Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

11. On 28 October 2010, the Company and COSCO entered into a freight forwarding master agreement (the "Freight Forwarding Master Agreement") in relation to the mutual provision of freight forwarding services between the COSCO Group and its associates and the Group and its associates. The Freight Forwarding Master Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Freight Forwarding Master Agreement gives a non-renewal notice in writing to the other party.

    On 30 October 2012, the Directors announced that it was expected that the annual transaction amounts for the financial years ending 31 December 2012 and 2013 pursuant to the Freight Forwarding Master Agreement would exceed their original annual caps. The Directors therefore proposed to increase the original annual caps.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcements of the Company dated 28 October 2010, 30 October 2012 and 27 March 2013.

12. On 28 October 2010, COSCO Maritime (UK) Limited ("COSCO UK") and COSCON, a wholly-owned subsidiary of the Company, entered into several extension letters to further extend the term of the seven sub-time charter agreements governing the sub-lease of seven vessels from COSCO to COSCON from 1 December 2010 to 30 November 2013.

    As COSCO is the controlling shareholder of the Company and COSCO UK is a wholly owned subsidiary of COSCO, COSCO UK is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

13. On 9 January 2012, 青島遠洋運輸有限公司 (Qingdao Ocean Shipping Co., Ltd.*) ("COSCO Qingdao"), a wholly-owned subsidiary of the Company, entered into two bareboat charters with 上海遠洋實業總公司 (Shanghai Ocean Industrial Company*) ("Shanghai Ocean Industrial"), a wholly-owned subsidiary of COSCO, relating to the continual leasing of two vessels named "Hai Huang Xing" (海皇星) and "Ju Da" (巨大) by Shanghai Ocean Industrial to COSCO Qingdao for a term of one year commencing from 1 January 2012.

    On 30 October 2012, COSCO Qingdao entered into two bareboat charters with Shanghai Ocean Industrial relating to the continual leasing of the above two vessels by Shanghai Ocean Industrial to COSCO Qingdao for another term of one year commencing from 1 January 2013.

    COSCO is the controlling shareholder of the Company and Shanghai Ocean Industrial is a wholly-owned subsidiary of COSCO. Therefore, Shanghai Ocean Industrial is a connected person of the Company.

    For further information relating to the above transaction, please refer to the announcements of the Company dated 9 January 2012 and 30 October 2012.

14. On 30 October 2012, COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司) ("COSCO Ports", together with its subsidiaries, "COSCO Ports Group"), a non-wholly-owned subsidiary of the Company through COSCO Pacific, entered into a finance leasing master agreement ("Finance Leasing Master Agreement") with Florens Capital Management Company Limited ("Florens Capital Management", together with its subsidiaries, "Florens Capital Management Group") in relation to the provision of finance leasing by members of Florens Capital Management Group to members of COSCO Ports Group for a term of 3 years from 1 January 2013 to 31 December 2015.

    Florens Capital Management is owned as to 50% by COSCO, which is the ultimate controlling shareholder of the Company. Accordingly, the Florens Capital Management Group (including Florens Capital Management) are connected persons of the Company.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

15. On 30 October 2012, COSCO Ports and Piraeus Container Terminal S.A. ("PCT"), each a non-wholly-owned subsidiary of the Company through COSCO Pacific, entered into a shipping services master agreement ("APM Shipping Services Master Agreement") with the entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by A.P. Moller — Maersk A/S ("APM", collectively, the "Line") in relation to the provision of shipping related services by members of COSCO Ports Group or PCT to the Line for a term of 3 years from 1 January 2013 to 31 December 2015.

    PCT, a company established in Greece, is a wholly-owned subsidiary of COSCO Pacific. APM Terminals Invest Company Limited, which is a subsidiary of APM, is a substantial shareholder of a subsidiary of the Company. The Line are majority-owned by APM and are therefore associates of APM Terminals Invest Company Limited. Accordingly, the Line are connected persons of the Company by virtue of the relationship with the Company's subsidiary.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

16. On 30 October 2012, COSCO Ports and PCT entered into a shipping and terminal services master agreement ("COSCO Shipping Services and Terminal Services Master Agreement") with COSCO in relation to the provision of shipping related services by members of COSCO Ports Group and PCT to members of COSCO Group for a term of 3 years from 1 January 2013 to 31 December 2015.

COSCO is the controlling shareholder of the Company and hence a connected person of the Company.

For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

17. On 30 October 2012, COSCO Ports and Guangzhou South China Oceangate Container Terminal Company Limited (廣州南沙海港集裝箱碼頭有限公司) ("GZ South China") entered into a purchase master agreement (the "Nansha Diesel Oil Purchase Master Agreement") with 中國船舶燃料廣州有限公司 (China Marine Bunker Guangzhou Co., Ltd*) ("CM Supply") in relation to the purchase of diesel oil by GZ South China from CM Supply for a term of 3 years from 1 January 2013 to 31 December 2015.

    GZ South China is a non-wholly-owned subsidiary of COSCO Pacific. CM Supply is owned as to 50% by COSCO which is the ultimate controlling shareholder of the Company. Accordingly, CM Supply is a connected person of the Company.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

18. On 30 October 2012, COSCO Ports and GZ South China entered into a container terminal services master agreement (the "Nansha Container Terminal Services Master Agreement") with 廣州港集團有限公司 (Guangzhou Port Group Company Limited*) ("GZ Port Holding") in relation to the (a) provision of container terminal related services by GZ South China to members of the GZ Port Group, (b) provision of container terminal related services by members of the GZ Port Group to GZ South China, and (c) appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the vessels which use the high-frequency wireless communication services (甚高頻無線電通訊服務) at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee (甚高頻通訊費) at a rate as prescribed by GZ Port Holding from time to time for a term of 3 years from 1 January 2013 to 31 December 2015.

    As GZ Port Holding indirectly holds a 41% equity interest in GZ South China, which is a subsidiary of the Company, members of GZ Port Group (including GZ Port Holding) are connected persons of the Company by virtue of the relationship with the Company's subsidiary.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

19. On 30 October 2012, COSCO Ports and Yangzhou Yuanyang International Ports Co. Ltd. (揚州遠揚國際碼頭有限公司) ("Yangzhou Yuanyang") entered into a terminal services master agreement (the "Yangzhou Terminal Services Master Agreement") with 江蘇省揚州港務集團有限公司 (Jiangsu Province Yangzhou Port Group Co., Ltd*)(" Yangzhou Port Holding") in relation to the provision of terminal related services by members of the Yangzhou Port Holding and its subsidiaries, branches and associates (collectively, "Yangzhou Port Group") to Yangzhou Yuanyang for a term of 3 years from 1 January 2013 to 31 December 2015.

    As Yangzhou Port Holding holds a 40% equity interest in Yangzhou Yuanyang, which is a subsidiary of the Company, members of Yangzhou Port Group (including Yangzhou Port Holding) are connected persons of the Company by virtue of the relationship with the Company's subsidiary.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

20. On 8 June 2012, the following finance lease arrangements have been entered into by each of Jinjiang Pacific Ports Development Co., Ltd. (晉江太平洋港口發展有限公司) ("Jinjiang Pacific"), Quan Zhou Pacific Container Terminal Co., Ltd. (泉州太平洋集裝箱碼頭有限公司) ("Quan Zhou Pacific") and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (張家港永嘉碼頭有限公司) ("Zhangjiagang Terminal"), all are non-wholly owned subsidiaries of the Company through COSCO Pacific, with Florens (Tianjin) Finance Leasing Co., Ltd. (佛羅倫(天津)融資租賃有限公司)("Florens Tianjin").

(a) Jinjiang Pacific entered into an entrusted purchase agreement with Florens Tianjin pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Jinjiang Pacific and a third party supplier for an empty container stacking machine and entrusted Jinjiang Pacific to acquire the stacking machine on its behalf. On the same date, a finance lease agreement was entered into between Jinjiang Pacific and Florens Tianjin pursuant to which Florens Tianjin has agreed to lease the stacking machine to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the stacking machine and when Jinjiang Pacific possesses the stacking machine;

(b) Jinjiang Pacific entered into an entrusted purchase agreement with Florens Tianjin pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Jinjiang Pacific and a third party supplier for a quayside container crane and entrusted Jinjiang Pacific to acquire the crane on its behalf. On the same date, a finance lease agreement was entered into between Jinjiang Pacific and Florens Tianjin pursuant to which Florens Tianjin has agreed to lease the crane to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the crane and when Jinjiang Pacific possesses the crane;

(c) Jinjiang Pacific entered into an entrusted purchase agreement with Florens Tianjin pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Jinjiang Pacific and a third party supplier for two rubber-tired container gantry cranes and entrusted Jinjiang Pacific to acquire the cranes on its behalf. On the same date, a finance lease agreement was entered into between Jinjiang Pacific and Florens Tianjin pursuant to which Florens Tianjin has agreed to lease the cranes to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the cranes and when Jinjiang Pacific possesses the cranes;

(d) Jinjiang Pacific entered into a finance lease agreement with Florens Tianjin pursuant to which Florens Tianjin has agreed to purchase a front loader and a rail-mounted gantry crane from Jinjiang Pacific and to lease back the front loader and the crane to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the front loader and the crane;

(e) Quan Zhou Pacific entered into an entrusted purchase agreement with Florens Tianjin pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Quan Zhou Pacific and a third party supplier for six electric rubber-tired container gantry cranes and entrusted Quan Zhou Pacific to acquire the cranes on its behalf. On the same date, a finance lease agreement was entered into between Quan Zhou Pacific and Florens Tianjin pursuant to which Florens Tianjin has agreed to lease the cranes to Quan Zhou Pacific for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the cranes and when Quan Zhou Pacific possesses the cranes; and

(f) Zhangjiagang Terminal entered into a finance lease agreement with Florens Tianjin pursuant to which Florens Tianjin has agreed to purchase certain machinery and equipments for use at the container terminal including cranes, stacking machines and truckers from Zhangjiagang Terminal and to lease back such machinery and equipments to Zhangjiagang Terminal for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the machinery and equipments.

Florens Tianjin is indirectly owned as to 50% by each of COSCO Pacific and COSCO and is a non-wholly owned subsidiary of the Company. As COSCO is the controlling shareholder of the Company and Florens Tianjin is an associate of COSCO, Florens Tianjin is a connected person of the Company.

For further information relating to the above transaction, please refer to the announcement of the Company dated 8 June 2012.

21. On 30 October 2012, Yangzhou Yuanyang, a non-wholly owned subsidiary of the Company through COSCO Pacific, entered into a finance lease agreement with Florens Tianjin pursuant to which Florens Tianjin has agreed to purchase eight rubber-tired container gantry cranes and three packaged substations from Yangzhou Yuanyang and to lease back the cranes and substations to Yangzhou Yuanyang for a term of 8 years commencing from the date when Florens Tianjin makes the payment for the purchase of the cranes and substations.

Yangzhou Yuanyang is owned as to 55.59% by COSCO Pacific and is a non-wholly owned subsidiary of the Company. Florens Tianjin is indirectly owned as to 50% by each of COSCO Pacific and COSCO and is a non-wholly owned subsidiary of the Company. As COSCO is the controlling shareholder of the Company and Florens Tianjin is an associate of COSCO, Florens Tianjin is a connected person of the Company.

For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

22. On 24 January 2013, COSCO Pacific (China) Investments Co., Ltd. (中遠太平洋(中國)投資有限公司) ("CP (China)"), a non-wholly owned subsidiary of the Company through COSCO Pacific and COSCO entered into an equity transfer agreement pursuant to which CP (China) agreed to acquire and COSCO agreed to sell 39.04% equity interests in 太倉國際集裝箱碼頭有限公司 (Taicang International Container Terminal Co., Ltd.) ("Taicang"), a sino-foreign equity joint venture incorporated in the PRC.

COSCO is the controlling shareholder of the Company and hence a connected person of the Company.

For further information relating to the above transaction, please refer to the announcement of the Company dated 24 January 2013.

* For identification purpose only

The following table sets out the relevant annual caps and the actual figures for the year ended 31 December 2012 in relation to the continuing connected transactions of the Company.

The annual caps and actual figures in respect of the non-exempted continuing connected transactions of the Company

Transaction		Annual Cap for the year ended 31 December 2012	Actual Figure for the year ended 31 December 2012
1	Transactions under the Financial Services Agreement		
(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	RMB18,000,000	RMB17,836,289
(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	RMB8,000,000	RMB311,443
2	Transactions under the Master Vessel Services Agreement		
(a)	Purchase of vessel services from the COSCO Group and its associates	RMB21,500,000	RMB17,682,759
(b)	Provision of vessel services to the COSCO Group and its associates	RMB60,000	RMB18,844
3	Transactions under the Master General Services Agreement		
(a)	Purchase of general services from the COSCO Group and its associates	RMB140,000	RMB73,837
(b)	Provision of general services to the COSCO Group and its associates	RMB25,000	RMB4,043
4	Transactions under the Master Overseas Agency Services Agreement	RMB400,000	RMB135,828
5	Transactions under the Master Seamen Leasing Agreement		
(a)	Purchase of services from the COSCO Group and its associates	RMB150,000	RMB46,707
(b)	Provision of services to the COSCO Group and its associates	RMB400,000	RMB105,602
6	Transactions under the Master Premises Leasing Agreement		
(a)	Rent and other fees and charges payable to the COSCO Group and its associates	RMB140,000	RMB84,802
(b)	Rent and other fees and charges receivable from the COSCO Group and its associates	RMB8,000	RMB4,779
7	Transactions under the Master Container Services Agreement	RMB230,000	RMB90,848
8	Transactions under the Master Solicitation Activities Agreement	RMB400,000	RMB342,192
9	Transactions under the Master Port Services Agreement	RMB1,250,000	RMB822,368

Transaction		Annual Cap for the year ended 31 December 2012	Actual Figure for the year ended 31 December 2012
10	Transactions under the Time Charter Master Agreement		
(a)	Total charterhire payable to COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania	RMB1,300,000	RMB63,338
(b)	Total charterhire receivable from COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania	RMB900,000	RMB105,713
11	Transactions under the Freight Forwarding Master Agreement		
(a)	Purchase of services from the COSCO Group and its associates	RMB220,000	RMB207,854
(b)	Provision of services to the COSCO Group and its associates	RMB5,000	RMB2,490
12(a)	Sub-lease of time charters from COSCO to COSCON	RMB500,000	RMB347,690
12(b)	Sub-time charters from COSCO to COSCON	RMB160,000	RMB121,285
13	Bareboat charters with Shanghai Ocean Industrial	RMB50,000	RMB39,273
14	COSCO Pacific – COSCON Shipping Services Master Agreement	RMB1,310,131	RMB266,766
15	COSCO Pacific – APM Shipping Services Master Agreement	RMB527,878	RMB270,162
16	COSCO Pacific – Florens-APM Container Purchasing and Related Services Master Agreement		
(a)	Purchase of containers and container related materials	USD15,000	USD8,693
(b)	Provision of container related services	USD100	nil
17	COSCO Pacific – Nansha Container Terminal Services Master Agreement		
(a)	Provision of containers terminal related services by GZ South China to GZ Port Holding	RMB26,400	RMB3,284
(b)	Provision of container terminal related services by GZ Port Group to GZ South China	RMB104,970	RMB73,063
(c)	Appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the port construction fee		
(i)	Aggregate amount of the port construction fee	RMB40,500,000	nil
(ii)	Aggregate amount of the handling fee	RMB180,000	nil
(iii)	Aggregate amount of the refunded fee	RMB14,420,000	nil
(d)	Appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the vessels		
(i)	Aggregate amount of the high-frequency communication fee	RMB3,000,000	RMB1,267
(ii)	Aggregate amount of the handling fee	RMB90,000	RMB10
18	COSCO Pacific – Yangzhou Terminal Services Master Agreement		
(a)	Provision of terminal related services by Yangzhou Port Holding to Yangzhou Yuanyang	RMB136,188	RMB76,501
(b)	Appointment of Yangzhou Yuanyang by Yangzhou Port Holding to charge on behalf of Yangzhou Port Holding the port construction fee		
(i)	Aggregate amount of the port construction fee	RMB2,442,000	nil
(ii)	Aggregate amount of the refunded fee	RMB611,000	nil

Review of Continuing Connected Transactions for the year 2012

The independent non-executive Directors have reviewed the above continuing connected transactions (other than transactions under the master agreements set out as items 14 to 18 in the above table) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 14 to 18 in the above table (other than Ms. FAN HSU Lai Tai, Rita who has not reviewed the continuing connected transactions set forth as items 14 to 18 in the above table as she is a director of the Company and COSCO Pacific) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of COSCO Pacific group's business;

(2) on terms no less favourable to COSCO Pacific group than terms available from/to independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of COSCO Pacific as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, the board of Directors engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions (other than transactions under the master agreements set out as items 14 to 18 in the above table) as identified by management for the year ended 31 December 2012 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

For the purpose of Rule 14A.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditor of COSCO Pacific to report on the above continuing connected transactions set forth as items 14 to 18 in the above table and as identified by management for the year ended 31 December 2012 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO Pacific has issued its unqualified letter containing its findings and conclusions in respect of these transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by COSCO Pacific to the Hong Kong Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2012, so far as was known to the Directors, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was:

		Number of H-Shares/Percentage of total issued share capital of the H-Shares						
Name	Capacity and nature of interest	Long position	(approx) %	Short position	(approx) %	Lending pool	(approx) %	Note
UBS AG	Beneficial owner	63,631,156	2.47	72,698,589	2.82	—	—	(1)
	Interest of controlled corporation	82,767,088	3.21	81,814,863	3.17	—	—	(1)

Note:

(1) The long position of 82,767,088 shares relates to the shares directly held by the following entities which UBS AG has 100% control right and is thus deemed to have interest: UBS Fund Management (Switzerland) AG, UBS Global Asset Management (Australia) Ltd, UBS Global Asset Management (Japan) Ltd, UBS Global Asset Management (UK) Ltd and UBS Securities LLC. The short position of 82,767,088 shares relates to the shares directly held by UBS Securities LLC which UBS AG has 100% control right and is thus deemed to have interest.

Save as disclosed above, as at 31 December 2012, so far as was known to the Directors, there was no person (other than a Director, Supervisor or chief executive officer of the Company) who had any other interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2012, so far as was known to the directors of the Company, the shareholder having interest in 5% or more of the total issued share capital of the Company (including A shares and H shares of the Company) was:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%
COSCO Group	Beneficial owner	A Shares: 5,313,082,844 H Shares: 81,179,500 Total: 5,394,262,344	52.80	–	–	–	–

Share Appreciation Rights Plan

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of Directors, Supervisors and senior management of the Company with the Company's operating results and the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the Company's shareholders.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine directors and three supervisors of the Company at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight directors and three supervisors of the Company at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven directors and four supervisors of the Company at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. As of 31 December 2012, the Company did not grant any share appreciation rights after the grant on 4 June 2007.

Movements of the share appreciation rights, which were granted to Directors, Supervisors or senior management pursuant to the Share Appreciation Rights Plan during the year of 2012 are set out below:

Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2012	Transfer (to)/from other category during the year	Granted during the year	Exercised during the year	Lapsed duing the year	Outstanding as at 31 December 2012	Approximate % of issued share capital of the Company's H shares as at 31 December 2012	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	680,000	–	–	–	–	680,000	0.026%	(1)
			HK$3.588	900,000	–	–	–	–	900,000	0.035%	(2)
			HK$9.540	880,000	–	–	–	–	880,000	0.034%	(3)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	–	450,000	0.017%	(1),(4)
			HK$3.588	600,000	–	–	–	–	600,000	0.023%	(2),(4)
			HK$9.540	580,000	–	–	–	–	580,000	0.022%	(3),(4)
SUN Yueying	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	–	450,000	0.017%	(1)
			HK$3.588	600,000	–	–	–	–	600,000	0.023%	(2)
			HK$9.540	580,000	–	–	–	–	580,000	0.022%	(3)
SUN Jiakang	Beneficial owner	Personal	HK$3.195	375,000	–	–	–	–	375,000	0.015%	(1)
			HK$3.588	500,000	–	–	–	–	500,000	0.019%	(2)
			HK$9.540	480,000					480,000	0.019%	(3)
XU Minjie	Beneficial owner	Personal	HK$3.195	75,000	–	–	–	–	75,000	0.003%	(1)
			HK$3.588	90,000	–	–	–	–	90,000	0.003%	(2)
YE Weilong	Beneficial owner	Personal	HK9.540	480,000	–	–	–	–	480,000	0.019%	(3),(7)
ZHANG Liang	Beneficial owner	Personal	HK9.540	580,000	(580,000)	–	–	–	–	0.000%	(3),(4)
WU Shuxiong	Beneficial owner	Personal	HK$3.195	375,000	(375,000)	–	–	–	–	0.000%	(1),(5)
			HK$3.588	500,000	(500,000)	–	–	–	–	0.000%	(2),(5)
			HK$9.540	480,000	(480,000)	–	–	–	–	0.000%	(3),(5)
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	–	480,000	0.019%	(3)
GAO Ping	Beneficial owner	Personal	HK$3.195	–	100,000	–	–	–	100,000	0.004%	(1),(5)
			HK$3.588	–	90,000	–	–	–	90,000	0.003%	(2),(5)
			HK$9.540	–	85,000	–	–	–	85,000	0.003%	(3),(5)
ZHANG Jiqing	Beneficial owner	Personal	HK$3.195	–	100,000	–	–	–	100,000	0.004%	(1),(6)
			HK$3.588	–	90,000	–	–	–	90,000	0.003%	(2),(6)
			HK$9.540	–	75,000	–	–	–	75,000	0.003%	(3),(6)
WAN Min	Beneficial owner	Personal	HK$3.195	75,000	–	–	–	–	75,000	0.003%	(1)
			HK$3.588	280,000	–	–	–	–	280,000	0.01%	(2)
			HK$9.540	260,000	–	–	–	–	260,000	0.010%	(3)
HE Jiale	Beneficial owner	Personal	HK$3.195	375,000	(375,000)	–	–	–	–	0.000%	(1),(8)
			HK$3.588	500,000	(500,000)	–	–	–	–	0.000%	(2),(8)
			HK$9.540	480,000	(480,000)	–	–	–	–	0.000%	(3),(8)

Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2012	Transfer (to)/from other category during the year	Granted during the year	Exercised during the year	Lapsed duing the year	Outstanding as at 31 December 2012	Approximate % of issued share capital of the Company's H shares as at 31 December 2012	Note
FENG Jinhua	Beneficial owner	Personal	HK$3.195	–	100,000	–	–	–	100,000	0.004%	(1),(6)
			HK$3.588	–	90,000	–	–	–	90,000	0.003%	(2),(6)
			HK$9.540	–	85,000	–	–	–	85,000	0.003%	(3),(6)
ZHANG Yongjian	Beneficial owner	Personal	HK$3.195	225,000	(225,000)	–	–	–	–	0.000%	(1),(6)
			HK$3.588	500,000	(500,000)	–	–	–	–	0.000%	(2),(6)
			HK$9.540	480,000	(480,000)	–	–	–	–	0.000%	(3),(6)
Other continous contract employees	Beneficial owner	Personal	HK$3.195	10,237,000	(1,950,000)	–	–	(56,250)	8,230,750	0.319%	(1)
			HK$3.588	12,160,000	(2,180,000)	–	–	(65,000)	9,915,000	0.384%	(2)
			HK$9.540	15,860,000	(2,250,000)	–	–	(50,000)	13,560,000	0.525%	(3)
Others	Beneficial owner	Personal	HK$3.195	1,950,000	2,625,000	–	–	–	4,575,000	0.177%	(1)
			HK$3.588	2,505,000	3,410,000	–	–	–	5,915,000	0.299%	(2)
			HK$9.540	2,730,000	4,025,000	–	–	–	6,755,000	0.262%	(3)

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.195 per unit according to its terms between 16 December 2007 and 15 December 2015. During the period, 56,250 of such share appreciation rights lapsed.

(2) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016. During the period, 65,000 of such share appreciation rights lapsed.

(3) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017. During the period, 50,000 of such share appreciation rights lapsed.

(4) Zhang Liang ceased to be a Director of the Company with effect from 28 February 2012. His share appreciation rights were reclassified from the category of "Directors" to "Others". Li Yunpeng became a Director of the Company with effect from 28 February 2012. His share appreciation rights were reclassified into the category of "Directors".

(5) Wu Shuxiong ceased to be a Supervisor of the Company with effect from 6 January 2012. His share appreciation rights were reclassified from the category of "Supervisors" to "Others". Gao Ping became a Supervisor of the Company with effect from 6 January 2012. His share appreciation rights were reclassified from the category of "Other continuous contract employees" to "Supervisor".

(6) Zhang Jiqing and Feng Jinhua became the senior management of the Company with effect from 9 January 2012. Their respective share appreciation rights were reclassified from the category of "Other continuous contract employees" to "Senior Management". He Jiale and Zhang Yongjian ceased to be members of the senior management of the Company with effect from 9 January 2012. Their respective share appreciation rights were reclassified from the category of "Senior Management" to "Others".

(7) Ye Weilong ceased to be the senior management of the Company with effect from 9 January 2012. His share appreciation rights were reclassified from the category of "Senior Management" to "Others". Ye Weilong became a Director of the Company with effect from 12 November 2012. His share appreciation rights were reclassified into the category of "Directors".

Share Options Scheme of COSCO Pacific

At the special general meeting of COSCO Pacific held on 23 May 2003, its shareholders approved the adoption of a share option scheme (the "2003 Share Option Scheme").

Movements of the share options, which were granted under the 2003 Share Option Scheme, during the period are set out below:

		Number of share option								
Category	Exercise price HK$	Outstanding as at 1 January 2012	Transterred (to)/ from other categories during the year	Granted during the year	Excerised during the year	Lapsed during the year	Outstanding as at 31 December 2012	Percentage of total issued share captial of COSCO Pacific as at 31 December 2012	Exercisable period	Note
Directors										
WEI Jiafu	13.75	1,000,000	–	–	–	(1,000,000)	–	0.00%	03.12.2004–02.12.2014	(2)、(4)
SUN Yueying	13.75	1,000,000	–	–	–	(1,000,000)	–	0.00%	03.12.2004–02.12.2014	(2)、(4)
SUN Jiakang	13.75	700,000	–	–	–	–	700,000	0.03%	01.12.2004–30.11.2014	(2)、(4)
XU Minjie	19.30	800,000	–	–	–	–	800,000	0.03%	19.04.2007–18.04.2017	(3)、(4)
Li Yunpeng	13.75	1,000,000	–	–	–	(1,000,000)	–	0.00%	03.12.2004–02.12.2014	(2)、(4)
Others (5)	9.54	2,361,000	–	–	–	(130,000)	2,231,000	0.08%	Refer to Note 1	(1)、(5)
	13.75	17,342,000	–	–	–	(4,464,000)	12,878,000	0.46%	Refer to Note 2	(2)、(5)
	19.30	13,900,000	–	–	–	(1,240,000)	12,660,000	0.45%	Refer to Note 3	(3)、(5)
		38,103,000	–	–	–	(8,834,000)	29,269,000			

Notes:

(1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.

(2) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.

(3) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17 April 2007 to 19 April 2007.

(4) These options represent personal interests held by the relevant directors as beneficial owners.

(5) This category comprises, inter alia, continuous contract employees of COSCO Pacific.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests of the Company's Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Percentage of total issued H share capital of the Company
FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%
Peter Guy BOWIE	Beneficial owner	Personal	15,000	0.0006%

Name of Director/Supervisor	Capacity	Nature of interest	Number of A shares of the Company ("A Shares")	Percentage of total issued A Share capital
LI Yunpeng	Beneficial owner	Family	3,000	0.00004%
LUO Jiulian	Beneficial owner	Family	1,000	0.00001%

(2) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	1,520,000	0.07%
COSCO Corporation (Singapore) Limited	SUN Yueying	Beneficial owner	Personal	600,000	0.03%
COSCO Pacific Limited	KWANG Che Keung, Gordon	Beneficial owner	Personal	250,000	0.009%

(3) Long positions in the underlying shares of equity derivatives of the Company

Movements of the share appreciation rights, which were granted pursuant to the Share Appreciation Rights Plan of the Company, during the year ended 31 December 2012 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section above.

(4) Long positions in underlying shares of equity derivatives of associated corporations of the Company

Movements of the share options granted to the Directors and Supervisors of the Company by the associated corporations of the Company during the year ended 31 December 2012 are set out as below:

					Number of share options							
Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2012	Transferred (to)/ from other categories during the year	Granted during year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2012	Percentage of total issued share capital of associated corporation as at 31 December 2012	Note
COSCO International	WEI Jiafu	Beneficial owner	Personal	HK$1.37	1,200,000	–	–	–	–	1,200,000	0.079%	(1)
	SUN Jiakang	Beneficial owner	Personal	HK$1.37	800,000	–	–	–	–	800,000	0.053%	(1)

Note:

(1) These share options were granted on 2 December 2004 pursuant to the share option scheme of COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company, and can be exercised at HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

Save as disclosed above, as at 31 December 2012, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2012 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000
Non-current assets	35,298,645
Current assets	9,998,307
Current liabilities	(11,627,672)
Non-current liabilities	(13,180,210)
Net assets	20,489,070
Share capital	775,901
Reserves	11,072,474
Non-controlling interests	8,640,695
Capital and reserves	20,489,070

As at 31 December 2012, the Group's share of net assets of these affiliated companies amounted to RMB1,858,551,000.

Arrangements to purchase shares or debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 34 to the consolidated financial statements.

In view of the operating results of the Company, WEI Jiafu, our Chairman and MA Zehua, our Vice chairman, decided to waive their remuneration from the Company as long as the Company incurs losses with effect from 1 July 2012.

Save as disclosed above, there were no arrangements under which a Director or Supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2012.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors of the Company has entered into a service contract with the Company. No Director or Supervisor of the Company has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Report

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2012.

Board Committees

The Company has established a strategic development committee, a risk management committee, an audit committee, a remuneration committee, a nomination committee and an executive committee.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 67 to 100 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2012, there were approximately 46,221 employees in the Group. Total staff costs for the Group for the year, including directors' remuneration, totaled approximately RMB7,212,713,083.62.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of its container shipping, dry bulk shipping, logistics, container terminal, container leasing, freight forwarding and shipping agency business, the Group has organised many professional and comprehensive training programs during the period. The remuneration policies of the Group (including with respect to emolument payable to the Directors) are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Establishment of management system of the use of information by third parties

In accordance with the relevant requirements of regulatory authorities, the Company made amendments to the "Measures on Information Disclosures" (信息披露管理辦法) in 2009, pursuant to which adding the administrative measures on the use of information by third parties. During the reporting period, for any insider information required to be disclosed to third parties according to the laws and regulations including statistics and statements, the Company will register and file relevant officers of such third parties who received such insider information as insiders and remind such officers of third parties to keep such information confidential in written form.

Corporate Governance and Insiders Registration and Management System

During the reporting period, the Company further optimized corporate governance and operation efficiency in strict compliance with the applicable laws and regulations, including the Company Law, the Code of Corporate Governance for Listed Companies (上市公司治理準則), the Guiding Opinions for the Establishment of Independent Directorship by Listed Companies (關於在上市公司建立獨立董事制度的指導意見), the Rules for the General Meetings of Shareholders of Listed Companies (上市公司股東大會規則), the Guidelines on Articles of Association of Listed Companies (上市公司章程指引). The Company also ensured the stringent implementation of rules of procedures of the shareholders' general meeting and meetings of the Board of Directors and the Supervisory Committee and the terms of reference of the general manager. As such, the Company was able to effectively capitalize on the expertise of the committees of the board and ensure that members of the shareholders' general meetings and the meetings of the Board of Directors and the Supervisory Committee perform their duties and obligations and protect the interest of shareholders and the Company.

During the reporting period, the Company fulfilled the requirements of regulatory authorities in a timely manner and followed the requirements of the Guidelines on Comprehensive Risk Management of State-owned Enterprises (中央企業全面風險管理指引) issued by the SASAC, the Guidelines on Internal Control of Enterprises (企業內部控制基本規範) and supplemental guidelines issued by five ministries, internal control system and risk management procedures were established, efforts were made to refine the information systems of comprehensive risk management for more efficient collection, analysis, collation and reporting of risk data and response to risks and budget management was also enhanced. In addition, the Company further refined the organization structure and accountability system of domestic and overseas asset management. The Company participated in training programs for directors, supervisors and senior management organized by regulatory authorities. The Company places great emphasis on the training of all employees, particularly on compliance, for the establishment of corporate culture. Effective measures were also adopted to raise the awareness of all employees on compliance.

The Company ensured the confidentiality of insider information and prevented insider trading through tightening the management of the circulation of insider information. According to internal inspection of the Company, there was no insider trading of shares before the disclosure of material price-sensitive information of the Company in 2012.

There is no deviation for the corporate governance of the Company from the Company Law and applicable requirements of the CSRC during the reporting period.

Directors' Report

Shareholders' General Meetings

Session	Date of meeting	Names of resolutions	Details of resolutions	Designated website for the publication of resolutions	Date of disclosure of resolutions
First extraordinary general meeting in 2012	28 February 2012	1. to consider and approve the proposal on the Nomination of Director Candidates of the Third Session of the Board of Directors of China COSCO; 2. to consider and approve the proposal on the Nomination of Supervisor Candidates of the Third Session of the Supervisory Committee of China COSCO; 3. to consider and approve the proposal to provide guarantee for the loans of COSCO Bulk Carrier Co., Ltd.	All resolutions were considered and approved. Please refer to the announcements published on the relevant dates for details.	www.hkexnews.hk	28 February 2012

Session	Date of meeting	Names of resolutions	Details of resolutions	Designated website for the publication of resolutions	Date of disclosure of resolutions
Annual General Meeting of 2011	22 May 2012	1. to consider and approve the proposed Directors' Report of China COSCO for 2011; 2. to consider and approve the proposed Report of Supervisory Committee of China COSCO for 2011; 3. to consider and approve the proposed financial report and audit report of China COSCO for 2011 prepared under the China Accounting Standards and the Hong Kong Accounting Standards, respectively; 4. to consider and approve the proposed profit distribution plan of China COSCO for 2011; 5. to consider and approve the proposal to reappoint RSM China Certified Public Accountants as the domestic auditor for 2012 and to reappoint PricewaterhouseCoopers as the international auditor of the Company for 2012; and 6. to consider and approve the proposal on the amendments to the Articles of Association of China COSCO.	All resolutions were considered and approved. Please refer to the announcements published on the relevant dates for details.	www.hkexnews.hk	22 May 2012

Session	Date of meeting	Names of resolutions	Details of resolutions	Designated website for the publication of resolutions	Date of disclosure of resolutions
Second extraordinary general meeting in 2012	12 November 2012	1. to consider and approve the proposal on the nomination of Mr. Ye Weilong as director of China COSCO; 2. to consider and approve the resolution on the Issue of USD Bonds by Overseas Subsidiaries of China COSCO; and 3. to consider and approve the proposal on the amendments to the Articles of Association of China COSCO Holdings Company Limited.	All resolutions were considered and approved. Please refer to the announcements published on the relevant dates for details.	www.hkexnews.hk	12 November 2012
Third extraordinary general meeting in 2012	19 December 2012	1. to consider and approve the proposal on the renewal of APM Shipping and Terminal Services Master Agreement with a terms from 2013 to 2015 and the application for the cap amounts of the agreement by COSCO Pacific Limited; 2. to consider and approve the proposal on the execution of Finance Leasing Master Agreement with a term from 2013 to 2015 and the application for the cap amounts of the agreement by COSCO Pacific Limited.	All resolutions were considered and approved. Please refer to the announcements published on the relevant dates for details.	www.hkexnews.hk	19 December 2012

Objections of Independent Directors on Relevant Matters of the Company

Name of independent directors	Matters subject to objections raised by independent directors	Details of objections	Adopted or not	Remarks
Nil	Nil	Nil	Nil	

Major opinions and recommendations made by special committees under the Board of Directors during the performance of duties

Strategic Development Committee:

On the first meeting of the Strategic Development Committee of the third session of the Board of Directors on 30 October 2012, the committee members and other independent directors attending the meeting conducted specific study on strategic issues including the market condition, competitive edges, challenges and follow-up measures of China COSCO based on the theme of coping with severe market challenges and facilitating improvement of efficiency and sustainable development, and stated that China COSCO and its subsidiaries shall conduct market research, monitor the market closely, strengthen financial planning and adopt effective measures to overcome the economic crisis and challenges as well as the difficulties in the shipping market so to improve the performance and support the sustainable development of China COSCO.

Audit Committee:

In 2012, the Audit Committee of the Company held 5 meetings. The following opinions and recommendations were made upon discussion and consideration of the relevant reports and resolutions by members in the committee meetings:

1. The management and auditors of the Company were advised to refine and analyze the disclosure scope of the current finance and business information based on the disclosure scope of its peers in the industry to further improve information disclosure quality;

2. Recommendations were made on internal audit of the Company, including assessing the adequacy of human resources for internal audit based on quantitative benchmark and enhancing the integration of internal audit, internal control and financial management through sharing of experiences and achievements and coordination for higher efficiency;

3. Auditors were advised to adjust the disclosure on provision for onerous contracts in the financial report of H shares to give shareholders a full picture of the effects of the provision on the Company;

4. Emphasis was placed on cash flow of the Company for better cash flow management during the year;

5. The management was advised to focus on the impairment of vessels assets, particularly dry bulk vessels, of the subsidiaries;

6. The international auditor was advised to focus on asset impairment and receivables and to carry out auditing with prudence.

No major opinions or recommendations were made by other special committees, including the Risk Management Committee, Remuneration Committee and Nomination Committee when performing their duties during the reporting period.

Risks identified by the Supervisory Committee

The Supervisory Committee has no objections to the supervision of the Company during the reporting period.

Matters affecting the independence and separate operation of the Company against the controlling shareholders in terms of businesses, personnel, assets, organizations and financial position

Not applicable.

Relevant follow-up measures, progress and plans of the Company in connection with the competition arising from share reform, characteristic of the industry, national policy and mergers and acquisitions

Not applicable.

Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period

Annual salary were paid to senior management members of China COSCO, including the general manager, deputy general managers, Chief Financial Officer and Board secretary, which was determined according to the Administrative Measures for the Remuneration of Senior Management of China COSCO Holdings Company Limited approved by the second board meeting. The annual salary was linked to the results of operation and stock performance of the Company and the individual performance appraisal of the senior management in terms of operation and management according to the Interim Measures for the Annual Appraisal of Senior Management and was determined by the Remuneration Committee. The Company has established a comprehensive risk control system and improved the long term incentive and punishment mechanism for senior management based on the strategic needs of the development of the Company. The share appreciation rights plan was approved by the shareholders' general meeting based on the requirements of the Company and international practices in compliance with the PRC laws and regulations.

According to the share appreciation rights plan, certain amount of "virtual share options" will be granted to the senior management. The grantee is entitled to the gain from the price appreciation of physical shares in such number equivalent to the amount of the "virtual share options", but the grantee is not entitled to the ownership of such shares.

Unless otherwise approved, the total share appreciation rights granted shall not exceed 10% of the issued H shares, and shall be granted once a year. The first grant of share appreciation rights shall not exceed 1% of the issued H shares.

The scope of the share appreciation rights plan shall be determined by the Board of Directors, which shall include the directors, supervisors and senior management of the Company including the general manager, deputy general managers, Chief Financial Officer and the Board secretary as well as other parties approved by the Board of Directors.

Unless for the occurrence of the grounds for early termination prescribed under the plan, the validity term of share appreciation rights for each grant shall be 10 years, with lock-up period of 2 years, during which the grantees are restricted from exercising the rights. The proportion of rights exercisable by the grantees in the third, fourth, fifth and sixth year since the date of grant shall not exceed 25%, 50%, 75% and 100% of the total share appreciation rights granted to such grantees respectively.

During the reporting period, no share appreciation rights were exercised and no new appreciation rights were granted.

Internal Control

I. Statement on the responsibility on internal control and the establishment of internal control system

1. Statement of the Board

The Board of Directors of the Company and all directors warrant that there are no misstatements, misleading representations or material omissions in this report, and shall assume joint and several liabilities for the truthfulness, accuracy and completeness of its content. The Board of Directors is responsible to establish and implement an effective internal control system and the Supervisory Committee is responsible to supervise the establishment and implementation of internal control system by the Board of Directors. The management is responsible to organize and supervise the daily operation of internal control system of the Company. The internal control of the Company aims to ensure the lawful operation, security of assets and the truthfulness of financial reports and relevant information, and to enhance the operational efficiency in order to facilitate the implementation of development strategies. Due to the inherit limitation of the internal control system, it can only provide reasonable protection for the achievement of above objectives of the Company.

2. Establishment of internal control system

Pursuant to the Guidelines on Internal Control of Enterprises (企業內部控制基本規範) and supplemental guidelines issued by five ministries including the MOF, China COSCO completed the internal control assessment of 2012 and prepared the 2012 Internal Control Assessment Report of China COSCO.

(1) Based on the standards for the recognition of internal control deficiencies set in 2011, the Company conducted quantitative analysis on the deficiencies of non-financial reporting internal control, and formulated the Standards for the Recognition of Internal Control Deficiencies of China COSCO (2012 version) (中國遠洋內部控制缺陷認定標準(2012版)) and amended the Internal Control Manual of China COSCO (2012 version), which were implemented upon the approval of the Board of Directors of China COSCO.

(2) According to the implementation plan of internal control established at the beginning of the year, the rules for internal control of the headquarters and three subsidiaries of China COSCO Bulk Shipping Group were formulated based on the Guidelines on the Establishment of Internal Control of China COSCO and the effective internal control system of the headquarters of China COSCO as a whole. Risk evaluation for the headquarters of China COSCO of 2012 was completed and risk evaluation report was issued. Furthermore, various systems and modules of China COSCO were refined and the IT system was established and commenced operation in a timely manner according to the development plan and schedule for the internal control management information system of China COSCO.

(3) In 2012, the Company conducted comprehensive evaluation on the internal control of the head office, four second-tier companies and three third-tier companies of China COSCO. It formulated the internal control evaluation report and the assessment report on special operations, such as vessel charter business, custody business, procurement and supply management, and anti-corruption. Each subsidiary prepared an internal control evaluation report in accordance with the requirements set out in the Guidelines on Internal Control Evaluation (內部控制評價指引). The head office of the Company prepared the 2012 Internal Control Evaluation Report of China COSCO (中國遠洋2012年度內部控制評價報告) based on analysis of the internal control evaluation of all subsidiaries.

(4) Result of the internal control evaluation

During the reporting period, the Company established an internal control system for the businesses and operations under evaluation. The system was well implemented and fulfilled the internal control targets of the Company without material defects. As such, the Company considers that the internal control system is effective in ensuring the fulfillment of the internal control targets of the Company. It allows the Company to conduct objective analysis on its current control system and cater for the development needs of the Company in an efficient and effective manner.

(5) With reference to its internal control defect identification standard, no material defects was identified by the Company in 2012, except for a total of 75 defects which were irrelevant to the financial report, including 32 material defects and 43 general defects. The defects included certain incomplete risk assessment tasks, partial implementation of the standardized management on risk assessment procedures, incomplete and incomprehensive scope of the risk assessments, absence of risk assessment standards, inefficient optimization of management of certain suppliers and ineffective launch of new business. The head office of China COSCO and its subsidiaries formulated respective remedial plans for the above defects in internal control and designated person-in-charge for the remedy under a reasonable schedule. As of to date, most of the defects have been rectified while the rectification of certain defects is in progress.

II. Audit report on internal control

In accordance with the relevant requirements, such as the guidelines on internal control audit, China COSCO engaged RSM China Certified Public Accountants to prepare the audit report on the internal control of China COSCO.

III. Accountability system for material errors in annual report and its implementation

Based on the amendments to the Measures on Information Disclosures in 2010, the Company strictly complied with regulatory requirements to further specify the responsibilities of directors, supervisors, senior management and person-in-charge of information disclosure and clarify the matters that may involve necessary information disclosure in the daily operation and material decision of the Company.

During the reporting period, the Company was not aware of any material errors in its regular disclosure documents, including the annual report.

Director, Supervisor, Senior Management and Employee

(I) Equity change and remuneration of Directors, Supervisors and senior management in office and retired during the reporting period

Name	Position	Gender	Age	Date of appointment	Date of termination	Shareholding at the beginning of the year	Shareholding at the end of the year	Reason for change	Total remuneration received from the Company during the reporting period (RMB'0,000)	Total remuneration received from shareholders and associated entities during the reporting period (RMB'0,000)
Wei Jiafu	Chairman of the board	M	63	2011.05.17					60	Note 1, Note 3
Ma Zehua	Vice chairman of the board	M	60	2011.10.27					54	Note 1, Note 3
Li Yunpeng	Director Chairman of the supervisory board	M	54	2012.02.28 2011.05.17	 2012.02.28				11, 15	Note 1, Note 2
Sun Yueying	Director	F	54	2011.05.17					0	Note 1
Sun Jiakang	Director	M	53	2011.05.17					0	Note 1
Xu Minjie	Director	M	54	2011.05.17					0	Note 1
Ye Weilong	Director Deputy general manager	M	50	2012.11.12 2011.05.17	 2012.01.09				0	Note 1
Zhang Liang	Director	M	59	2011.05.17	2012.02.28				0	21.18
Jiang Lijun	Director General manager	M	57	2012.02.28 2011.11.22					96	
Teo Siong Seng	Independent director	M	58	2011.05.17					48.7	
Fan Hsu Lai Tai, Rita	Independent director	F	67	2011.05.17		10,000 H Shares	10,000 H Shares		79.12	Note 2
Kwong Che Keung, Gordon	Independent director	M	63	2011.05.17					48.4	
Peter Guy Bowie	Independent director	M	66	2011.05.17		15,000 H Shares	15,000 H Shares		47.2	
Song Dawei	Chairman of the supervisory board	M	57	2012.02.28					0	Note 1
Wu Shuxiong	Supervisor	M	58	2011.05.17	2012.01.06				0	2.12
Ma Jianhua	Supervisor	M	50	2011.05.17					99.67	
Luo Jiulian	Supervisor	M	58	2011.05.17					0	46.63
Yu Shicheng	Independent supervisor	M	58	2011.05.17	2012.02.28				0	
Meng Yan	Independent supervisor	M	57	2011.05.17					31.6	

Name	Position	Gender	Age	Date of appointment	Date of termination	Shareholding at the beginning of the year	Shareholding at the end of the year	Reason for change	Total remuneration received from the Company during the reporting period (RMB'0,000)	Total remuneration received from shareholders and associated entities during the reporting period (RMB'0,000)
Gao Ping	Supervisor	M	57	2012.01.06					79.58	Note 2
Zhang Jianping	Independent supervisor	M	47	2012.02.28					26.29	
Xu Zunwu	Deputy general manager	M	55	2011.05.17					78	
Wan Min	Deputy general manager	M	44	2011.08.25		2,000 H Shares 35,000 A Shares	2,000 H Shares 35,000 A Shares		87.73	Note 2
Wang Xingru	Deputy general manager	M	47	2011.08.25					453.99	Note 2
Zhang Jiqing	Deputy general manager	M	55	2012.01.09					59.4	
He Jiale	Chief financial officer	M	58	2011.05.17	2012.01.09				11.62	Note 2
Feng Jinhua	Chief financial officer	M	56	2012.01.09					85.84	Note 2
Zhang Yongjian	Secretary of the board	M	61	2011.05.17	2012.01.09				1.89	
Guo Huawei	Secretary of the board	M	47	2012.01.09					71.5	
Wang Xiaodong	Assistant to general manager	M	54	2012.10.30					12	
Hung Man, Michelle	Joint company secretary	F	43	2001.3					229	
Total	/	/	/	/	/	27,000 H Shares 35,000 A Shares	27,000 H Shares 35,000 A Shares	/	1,772.68	69.93

Note: 1. Wei Jiafu, the chairman of the Board, Ma Zehua, the vice chairman of the Board, Li Yunpeng, Sun Yueying, Sun Jiakang, Xu Minjie and Ye Weilong, the Directors, and Song Dawei, the chairman of the supervisory board received their remuneration in accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council. According to the relevant requirements regarding the evaluation of performance and management of remuneration of the management of state-owned enterprises of State-owned Assets Supervision and Administration Commission, state-owned enterprises shall pay the incentives to the management according to the evaluation of their performance. As of the date of this annual report, the performance of the management of the Company in 2012 has been under evaluation and the remuneration of the management of the Company for 2012 has not been determined by State-owned Assets Supervision and Administration Commission and thus the Company is unable to disclose the remuneration of the management for 2012.

2. The remuneration of Li Yunpeng and Fan Hsu Lai Tai, Rita, the Directors, Gao Ping, the Supervisor, Wan Min and Wang Xingru, the vice general manager, and Feng Jinhua and He Jiale, the chief financial officers, disclosed above included the amounts disclosed in the 2012 annual report of COSCO Pacific Limited (Stock Code: HK1199).

3. Wei Jiafu, our Chairman and Ma Zehua, our Vice chairman, decided to waive their remuneration from the Company with effect from 1 July 2012.

4. Remuneration of directors and supervisors were determined by shareholders' meeting. Determination of the remuneration of senior management is set out in this annual report: "Appraisal system and establishment and implementation of incentive mechanism for senior management during the reporting period".

5. Travelling and accommodation expenses incurred for the participation of Board meetings, meetings of the supervisory board and shareholders' general meetings of Directors, Supervisors and senior management were reimbursed by the Company.

(III) Share options granted to directors, supervisors and senior management during the reporting period

N/A.

II. Positions of current directors, supervisors and senior management and those who resigned during the reporting period

(I) Position in shareholders

Name	Name of shareholder	Position	Date of appointment	Date of termination
Wei Jiafu	China Ocean Shipping (Group) Company	Chairman Secretary of the CPC subcommittee	2011.08.18	
Wei Jiafu	Hainan COSCO Boao Co., Ltd.	Chairman	2005.10.26	
Wei Jiafu	COSCO (Hong Kong) Group Co. Ltd	Chairman	2000.06.28	
Wei Jiafu	Sino-Poland Joint Stock Shipping Company	Head of Management Committee	2011.11.11	
Ma Zehua	China Ocean Shipping (Group) Company	Director General manager and deputy secretary of the CPC subcommittee	2011.08.19 2011.08.18	
Ma Zehua	COSCO Corporation (Singapore) Limited	Chairman of the board	2011.12.28	
Li Yunpeng	China Ocean Shipping (Group) Company	Deputy general manager and member of the CPC subcommittee	2011.12.07	
Li Yunpeng	COSCO Shipyard Group Co., Ltd	Chairman	2011.12.31	
Li Yunpeng	COSCO International Ship Trading Company Limited	Chairman	2011.12.31	
Sun Yueying	China Ocean Shipping (Group) Company	Chief accountant and member of the CPC subcommittee	2004.04.13	
Sun Yueying	COSCO Finance Ltd.	Chairman	2008.06.02	
Sun Yueying	COSCO Holding (Singapore) Pte Ltd	Director	2000.05.10	2012.03.16
Sun Yueying	COSCO Japan	Chairman	1998.11.03	
Sun Yueying	COSCO (Cayman) Fortune Holdings Co., Ltd.	Chairman	2001.08.21	
Sun Jiakang	China Ocean Shipping (Group) Company	Deputy general manager, member of the CPC subcommittee and chief legal consultant	2011.02.11	
Sun Jiakang	COSCO Europe GmbH	Chairman	2012.01.17	
Sun Jiakang	COSCO Americas, Inc.	Chairman	2012.01.17	
Sun Jiakang	COSCO Oceania Pty Limited	Chairman	2012.01.17	
Sun Jiakang	COSCO Africa (Pty) Ltd.	Chairman	2012.01.17	

Name	Name of shareholder	Position	Date of appointment	Date of termination
Xu Minjie	China Ocean Shipping (Group) Company	Deputy general manager and member of the CPC subcommittee	2011.02.11	
Xu Minjie	COSCO Korea Co. Ltd	Chairman	2012.01.17	
Ye Weilong	China Ocean Shipping (Group) Company	Deputy general manager and member of the CPC subcommittee	2011.12.07	
Ye Weilong	COSCO Shipping Co., Ltd	Chairman	2011.12.28	
Ye Weilong	COSCO International Holdings Limited	Chairman of the board of directors	2011.12.28	
Ye Weilong	Sino-Tanzania Joint Shipping Company	Chairman	2012.01.17	
Ye Weilong	COSCO West Asia FZE	Chairman	2012.01.17	
Song Dawei	China Ocean Shipping (Group) Company	Director, member of the CPC subcommittee Head of the CPC Discipline Inspection Committee	2011.12.07	
Luo Jiulian	Dalian Ocean Shipping Company	Secretary of the CPC subcommittee, deputy general manager	2001.06.28	2012.04.12
Luo Jiulian	COSCO Shipbuilding Industry Company	Secretary of the CPC subcommittee, deputy general manager	2012.05.29	
Jiang Lijun	COSCO Corporation (Singapore) Limited	Vice chairman of the board of directors, non-executive director	2011.11.14	2012.06.27
Feng Jinhua	Hainan COSCO Boao Co., Ltd.	Director	2006.03.14	2013.02.19

(II) Position in other entities

Name	Name of shareholder	Position	Date of appointment	Date of termination
Wei Jiafu	China Merchants Bank Co., Ltd.	Vice Chairman	2001.04.29	
Ma Zehua	China Bohai Bank Limited	Director	2012.03.21	
Li Yunpeng	Suzhou Industrial Park Co., Ltd.	Vice Chairman	2012.01.17	
Li Yunpeng	China Marine Bunker (Petro China) Co., Ltd.	Chairman	2011.12.31	
Sun Yueying	China Merchants Bank Co., Ltd.	Director	2001.04.29	
Sun Yueying	China Merchants Securities Co., Ltd.	Director	2001.03.26	
Sun Jiakang	Suzhou Industrial Park Co., Ltd.	Vice Chairman	2011.03.22	2012.01.17
Sun Jiakang	China LNG Shipping (Holdings) Limited	Chairman	2011.12.31	
Xu Minjie	Yuanli Shipping Co., Ltd 遠利船務有限公司	Vice Chairman	2007.03.26	
Xu Minjie	China International Marine Containers (Group) Co., Ltd.	Vice Chairman	2012.01.06	
Feng Jinhua	Sinochem Corporation	Supervisor	2009.06.09	2012.08.02
Feng Jinhua	China Nuclear Power International, Inc.	Supervisor	2011.12.14	2013.02.19

III. Remunerations of directors, supervisors and senior Management

Determination of remuneration of directors, supervisors and senior management	Remuneration of directors and supervisors were determined by shareholders' meeting. Determination of the remuneration of senior management is set out in this annual report "Appraisal system and establishment and implementation of incentive mechanism for senior management during the reporting period".
Basis of remuneration of directors, supervisors and senior management	Remuneration of directors and supervisors were determined by shareholders' meeting. Determination of the remuneration of senior management is set out in this annual report "Appraisal system and establishment and implementation of incentive mechanism for senior management during the reporting period".
Remuneration payable to directors, supervisors and senior management	The salaries of directors and supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of senior management shall be determined on annual basis in accordance with the Determination of the Remuneration of Senior Management of China COSCO Holdings Company Limited (中國遠洋控股股份有限公司高管層薪酬管理辦法) approved by the Board. The annual remuneration shall be determined by the remuneration committee taking into account the operating results and share price.
Total actual remuneration of all directors, supervisors and senior management at the end of the reporting period (including remuneration received from shareholders and associated entities)	RMB21,369,900 (before tax)

Directors' Report

IV. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reason of change
Zhang Liang	Director	Resigned	Resignation
Li Yunpeng	Director	Appointed	Election by shareholders' meeting
Jiang Lijun	Director	Appointed	Elected by shareholders' meeting
Li Yunpeng	Chairman of Supervisory Committee, Supervisor	Resigned	Resignation
Ye Weilong	Director	Appointed	Elected by shareholders' meeting
Song Dawei	Supervisor, Chairman of Supervisory Committee	Appointed	Elected by shareholders' meeting and elected by Supervisory Committee
Zhang Jianping	Independent Supervisor	Appointed	Elected by shareholders' meeting
Yu Shicheng	Independent Supervisor	Resigned	Resignation
Wu Shuxiong	Employee Supervisor	Resigned	Elected by labour union
Gao Ping	Employee Supervisor	Appointed	Elected by labour union
Ye Weilong	Deputy general manager	Resigned	Determined by the Board
Zhang Jiqing	Deputy general manager	Appointed	Determined by the Board
He Jiale	Chief financial officer	Resigned	Determined by the Board
Feng Jinhua	Chief financial officer	Appointed	Determined by the Board
Zhang Yongjian	Secretary of the Board	Resigned	Determined by the Board
Guo Huawei	Secretary of the Board	Appointed	Determined by the Board
Wang Xiaodong (王曉東)	Assistant to the general manager	Appointed	Determined by the Board

1. Appointment of directors and changes

On 9 January 2012, the Company convened the 5th meeting of the third Board of Directors, whereby resolutions regarding the resignation of Zhang Liang as an executive Director of the Board of Directors of the Company and the nomination of Li Yunpeng and Jiang Lijun as the director candidates of the third Board of Directors of the Company were proposed for approval at the general meeting.

On 28 February 2012, the Company convened the first extraordinary general meeting for 2012, whereby Li Yunpeng and Jiang Lijun were elected as directors of the third Board of Directors of the Company.

On 29 August 2012, the Company convened the 9th meeting of the third Board of Directors, whereby a resolution regarding the nomination of Ye Weilong as a director candidate of the third Board of Directors of the Company was proposed for approval at the general meeting.

On 12 November 2012, the Company convened the second extraordinary general meeting for 2012, whereby Ye Weilong was elected as a director of the third Board of Directors of the Company.

2. Appointment of supervisors and changes

On 9 January 2012, the Company convened the 4th meeting of the third Board of Supervisors, whereby resolutions regarding the resignation of Li Yunpeng as the chairman and member of the Board of Supervisors of the Company, the nomination of Song Dawei as the member of the third Board of Supervisors of the Company, the nomination of Zhang Jianping as the independent supervisor of the third Board of Supervisors and the retirement of Yu Shicheng as the independent Supervisors of the Board of Supervisor of the Company were approved. The meeting also reported that Wu Shuxiong ceased to be the employee representative supervisor and Gao Ping was appointed as the employee representative supervisor of the third Board of Supervisors, with effect from 6 January 2012.

On 28 February 2012, the Company convened the first extraordinary general meeting for 2012, whereby Song Dawei and Zhang Jianping were elected as the members of the third Board of Supervisors of the Company. Yu Shicheng ceased to be an independent supervisor of the Board of Supervisors of the Company.

On 28 February 2012, the Company convened the 5th meeting of the third Board of Supervisors, whereby Song Dawei was elected as the chairman of the Board of Supervisors of the Company.

3. Appointment of senior management and changes

On 9 January 2012, the Company convened the 5th meeting of the third Board of Directors of the Company, whereby Zhang Jiqing was appointed as the deputy general manager of the Company and Feng Jinhua was appointed as the chief financial officer of the Company; Guo Huawei was appointed as the secretary of the Board of Directors of the Company. The terms of office of the above senior management is from 9 January 2012 to the date of the first meeting of the fourth Board of Directors. Ye Weilong ceased to be the deputy general manager of the Company and He Jiale ceased to be the chief financial officer of the Company. Zhang Yongjian ceased to be the secretary of the Board of Directors of the Company.

On 30 October 2012, the Company convened the 10th meeting of the third Board of Directors of the Company, whereby Wang Xiaodong was appointed as the assistant to general manager of the Company.

V. Major technical team and technicians of the Company

China COSCO regards human resources an integral part of its development strategy. The Company realises that human resources is important in operation and encourages its staff to bring up innovative ideas to improve management and organisation structure under the strategy of "excellent enterprise with talents"(人才強企). Under the Three Hundreds Program (三個三百), the Company is committed to develop professional teams in the areas of shipping, logistics, terminal operation and shipbuilding to facilitate the development of the Company. China COSCO operates international business with its base in China and has adopted a distinctive management system to attract, retain, motivate and employ outstanding personnel around the globe. China COSCO has successfully developed its human resources for achieving its strategic objectives.

VI. Staff of the parent company and subsidiaries

(1) Information of staff

Number of working staff of the parent company	364
Number of working staff of major subsidiaries	45,857
Total number of working staff	46,221
Number of retired staff receiving retirement benefit from the parent company and major subsidiaries	15,637
Qualification	
Class of qualification	**Number of staff**
Production	19,434
Sales	5,179
Technicians	2,781
Accounting	2,172
Administration	2,584
Education level	
Level of education	**Number of staff**
Post graduate or above	2,389
Graduate	13,946
Tertiary	15,328
Secondary or below	14,558
Total	46,221

(2) Remuneration policy

To allow all staff to enjoy the results of the Company, the Company regularly improve its staff remuneration, benefit and insurance policy in accordance with the conditions of the Company and the external and internal business environment to facilitate the development of the Company and the building of a strong working team.

The Company also safeguard the legal rights of minority group of staff strictly in accordance with the laws and regulations of China. For entities operating in the PRC, we determine the minimum salary of staff in accordance with the requirement of the local governments. We have established retirement benefit scheme, medical insurance scheme, work injury insurance scheme, pregnancy and birth insurance scheme and unemployment insurance scheme for all staff. We have also established a housing provident fund. For entities operating outside China, we have established a remuneration policy strictly in accordance with the laws and policy of the local governments.

(3) Training Program

Under the people-oriented principle, the Company focused on the development of business and human resources. By providing training on co-ordination, improvement, management and innovation, our systematic, specific and innovative training programs facilitate the healthy and sustainable development of the Company.

(4) Outsourcing

Total working hours outsourced	8,680,610 hours
Total cost of outsourcing	RMB293,602,170

Repurchase, Sale or Redemption of the Company's Shares

During the reporting period, the Company did not redeem any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the public float of the Company satisfied the requirement of the Listing Rules.

By order of the Board of Directors
Wei Jiafu
Chairman

Beijing, the PRC
28 March 2013

Report of Supervisory Committee

Report of the supervisory committee for the year 2012

To all shareholders,

The Company's supervisory committee conscientiously performs its duties and conducts its work diligently in accordance with the laws and regulations of the location where the Company's shares were listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other legal regulations. In 2012, the Company convened six committee meetings, including five on-site meetings and one meeting by circulation of documents. The members of the supervisory committee attended all meetings of the supervisory committee in personal or by proxy.

Members of the supervisory committee were present at all meetings of the board of directors and general meetings and convened meetings of the supervisory committee to review the working reports and financial reports, consider financial reports and audit reports, perform its checks and balances on the procedural aspects and the resolutions of the board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the directors and the senior management, the financial position, the internal controls and connected transactions of the Company, so as to safeguard the interests of the shareholders and the Company in accordance with the laws and regulations.

The supervisory committee is of the opinion that the board of directors and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the place of listing of the Company, and have to dutifully and diligently conduct the Company's operations within the relevant regulatory framework. The Company has optimised its internal control system by strengthening internal coordination, introducing centralized purchasing, enhancing standardised management and improving corporate governance. To the best knowledge of the supervisory committee, the directors and senior management of the Company did not breach any applicable laws or the Articles of Association or behave in a manner that would harm the interests of the Company. The supervisory committee was unanimous in the supervision matters during the reporting period.

The supervisory committee has carefully reviewed the 2012 financial report, the annual profit appropriation plan of the Company and the unqualified auditor's reports issued by the Company's domestic and international auditors. The supervisory committee approved the unqualified auditor's reports, issued by RSM China Certified Public Accountants, LLP. and PricewaterhouseCoopers.

After considering the report of funds utilization by controlling shareholders and other related parties in 2012 and the report on the use of proceeds from the Company's management, the actual use of proceeds raised recently was consistent with the intended use and there was no change to the intended uses.

Report of Supervisory Committee

The supervisory committee has examined the connected transactions occurred during the reporting period and found that all transactions were conducted at fair market value without causing any detriment to the interests the Company or its shareholders. No insider transaction was identified and no circumstance causing any detriment to the interests of its shareholders or any loss of assets of the Company existed.

The adjustment of estimated net residual value of vessels of 2012 was reviewed and approved at the 6th meeting of the third session of the Board of the Company. The supervisory committee is of the opinion that the procedures were in compliance with applicable laws and regulations and the Articles of Association of the Company, and the adjustment were in compliance with the requirements of applicable accounting standards. The supervisory committee was unanimous in the changes of accounting policy and accounting estimation.

In 2012, after conducting written and on-site investigation of the roles of the supervisory committee of China COSCO in corporate governance, the supervisory committee of Chinese Association of Listed Companies invited the Chairman of the supervisory committee of China COSCO to attend in "Seminar of the Best Supervisory Committee of Corporate Governance of Listed Companies" (上市公司治理最佳實踐監事會座談會) for exchanging their experience.

In 2013, the supervisory committee will continue to strictly adhere to the Articles of Association and the relevant requirements, to enhance the establishment of its system and to increase its supervision efforts to effectively safeguard and protect the legal interests of the Company and its shareholders.

Supervisory Committee of China COSCO Holdings Company Limited
18 April 2013

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA COSCO HOLDINGS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 143 to 253, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2013

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**80,643,400**	73,029,686
Investment properties	7	**475,591**	478,702
Leasehold land and land use rights	8	**2,567,434**	2,672,798
Intangible assets	9	**202,497**	196,051
Jointly controlled entities	11	**5,255,508**	4,978,206
Associates	12	**11,360,852**	11,164,646
Available-for-sale financial assets	14	**499,121**	481,725
Derivative financial assets		**–**	87,884
Deferred income tax assets	15	**238,281**	503,302
Restricted bank deposits	17	**71,280**	417,108
Loans to a jointly controlled entity and an associate	13	**226,146**	182,285
Other non-current assets	16	**554,056**	507,388
Total non-current assets		**102,094,166**	94,699,781
Current assets			
Inventories	18	**2,731,404**	3,387,032
Trade and other receivables	19	**13,563,548**	11,898,915
Derivative financial assets		**53,823**	–
Restricted bank deposits	17	**428,175**	510,432
Cash and cash equivalents	17	**46,336,793**	46,962,725
Total current assets		**63,113,743**	62,759,104
Total assets		**165,207,909**	157,458,885

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	20	**10,216,274**	10,216,274
Reserves	21	**14,920,612**	24,479,012
		25,136,886	34,695,286
Non-controlling interests		**16,560,635**	15,475,167
Total equity		**41,697,521**	50,170,453
LIABILITIES			
Non-current liabilities			
Long-term borrowings	22	**79,085,828**	55,313,702
Provisions and other liabilities	23	**1,593,684**	1,402,583
Deferred income tax liabilities	15	**2,417,596**	2,489,582
Other non-current liabilities		**–**	89,576
Total non-current liabilities		**83,097,108**	59,295,443
Current liabilities			
Trade and other payables	24	**24,213,333**	23,798,925
Short-term borrowings	25	**5,253,237**	2,850,888
Current portion of long-term borrowings	22	**8,865,186**	18,861,850
Current portion of provisions and other liabilities	23	**1,292,327**	1,560,547
Tax payable		**789,197**	920,779
Total current liabilities		**40,413,280**	47,992,989
Total liabilities		**123,510,388**	107,288,432
Total equity and liabilities		**165,207,909**	157,458,885
Net current assets		**22,700,463**	14,766,115
Total assets less current liabilities		**124,794,629**	109,465,896

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 143 to 253 were approved by the Board of Directors on 27 March 2013 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Jiang Lijun
Director

Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,807**	4,975
Intangible assets	9	**1,541**	2,289
Subsidiaries	10	**52,549,186**	52,109,130
Loans to subsidiaries	10	**13,866,882**	13,823,299
Deferred income tax assets	15	**10,117**	13,809
Total non-current assets		**66,431,533**	65,953,502
Current assets			
Prepayments, deposits and other receivables	19	**13,698**	15,011
Advances to and amounts due from subsidiaries	10	**577,839**	995,967
Cash and cash equivalents	17	**5,929,305**	6,923,245
Total current assets		**6,520,842**	7,934,223
Total assets		**72,952,375**	73,887,725
EQUITY			
Share capital	20	**10,216,274**	10,216,274
Reserves	21	**37,757,770**	38,348,652
Total equity		**47,974,044**	48,564,926
LIABILITIES			
Non-current liabilities			
Long-term borrowings	22	**18,773,318**	18,716,229
Current liabilities			
Trade and other payables	24	**576,121**	591,580
Amounts due to subsidiaries	10	**5,156,745**	5,537,105
Tax payable		**472,147**	477,885
Total current liabilities		**6,205,013**	6,606,570
Total liabilities		**24,978,331**	25,322,799
Total equity and liabilities		**72,952,375**	73,887,725
Net current assets		**315,829**	1,327,653
Total assets less current liabilities		**66,747,362**	67,281,155

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 143 to 253 were approved by the Board of Directors on 27 March 2013 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Jiang Lijun
Director

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenues	5	**88,329,138**	84,639,178
Cost of services and inventories sold	27	**(90,546,817)**	(89,586,526)
Gross loss		**(2,217,679)**	(4,947,348)
Other (expenses)/income, net	26	**(66,212)**	192,664
Selling, administrative and general expenses	27	**(5,237,137)**	(5,541,328)
Operating loss		**(7,521,028)**	(10,296,012)
Finance income	28	**855,515**	916,380
Finance costs	28	**(2,479,957)**	(1,733,691)
Net related exchange gain		**37,469**	1,199,103
Net finance (costs)/income		**(1,586,973)**	381,792
		(9,108,001)	(9,914,220)
Share of profits less losses of			
– jointly controlled entities	11	**710,170**	714,750
– associates	12	**1,000,486**	1,345,241
Loss before income tax		**(7,397,345)**	(7,854,229)
Income tax expenses	29	**(740,096)**	(1,031,036)
Loss for the year		**(8,137,441)**	(8,885,265)
(Loss)/profit attributable to:			
Equity holders of the Company		**(9,559,164)**	(10,495,295)
Non-controlling interests		**1,421,723**	1,610,030
		(8,137,441)	(8,885,265)

	Note	RMB	RMB
Loss per share for loss attributable to the equity holders of the Company			
– basic	32(a)	**(0.9357)**	(1.0273)
– diluted	32(b)	**(0.9357)**	(1.0273)

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

	Note	2012 RMB'000	2011 RMB'000
Dividends	31	**—**	—

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Loss for the year	**(8,137,441)**	(8,885,265)
Other comprehensive income/(loss)		
Available-for-sale financial assets – fair value gains/(losses), net of tax	**19,615**	(158,958)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	**57,936**	(43,057)
Release of reserves upon disposal of a jointly controlled entity	**–**	(44,738)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	**–**	(77,471)
Currency translation differences	**(16,762)**	(1,738,014)
Other comprehensive income/(loss) for the year, net of tax	**60,789**	(2,062,238)
Total comprehensive loss for the year	**(8,076,652)**	(10,947,503)
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	**(9,560,230)**	(12,098,996)
– Non-controlling interests	**1,483,578**	1,151,493
Total comprehensive loss for the year	**(8,076,652)**	(10,947,503)

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (note 21)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2012	**10,216,274**	**24,479,012**	**34,695,286**	**15,475,167**	**50,170,453**
Comprehensive (loss)/income					
(Loss)/profit for the year	–	(9,559,164)	(9,559,164)	1,421,723	(8,137,441)
Other comprehensive (loss)/income					
Available-for-sale financial assets – fair value (losses)/gains, net of tax	–	(6,883)	(6,883)	26,498	19,615
Share of other comprehensive income of jointly controlled entities and associates	–	35,671	35,671	22,265	57,936
Currency translation differences	–	(29,854)	(29,854)	13,092	(16,762)
Total other comprehensive (loss)/income	**–**	**(1,066)**	**(1,066)**	**61,855**	**60,789**
Total comprehensive (loss)/income for the year ended 31 December 2012	**–**	**(9,560,230)**	**(9,560,230)**	**1,483,578**	**(8,076,652)**
Total contributions by and distributions to owners of the Company recognised directly in equity					
Issue of shares on settlement of scrip dividend of a subsidiary (note 35(b))	–	12,221	12,221	216,927	229,148
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(614,052)	(614,052)
Acquisition of additional interest in subsidiaries	–	(10,149)	(10,149)	1,165	(8,984)
Others	–	(242)	(242)	(2,150)	(2,392)
Total contributions by and distributions to owners of the Company	**–**	**1,830**	**1,830**	**(398,110)**	**(396,280)**
As at 31 December 2012	**10,216,274**	**14,920,612**	**25,136,886**	**16,560,635**	**41,697,521**

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 21)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2011	10,216,274	37,612,685	47,828,959	14,471,896	62,300,855
Comprehensive (loss)/income					
Loss for the year	–	(10,495,295)	(10,495,295)	1,610,030	(8,885,265)
Other comprehensive (loss)/income					
Available-for-sale financial assets – fair value losses, net of tax	–	(119,703)	(119,703)	(39,255)	(158,958)
Share of other comprehensive loss of jointly controlled entities and associates	–	(38,605)	(38,605)	(4,452)	(43,057)
Release of exchange reserve upon disposal of a jointly controlled entity	–	(19,112)	(19,112)	(25,626)	(44,738)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	–	(33,095)	(33,095)	(44,376)	(77,471)
Currency translation differences	–	(1,393,186)	(1,393,186)	(344,828)	(1,738,014)
Total other comprehensive loss	–	(1,603,701)	(1,603,701)	(458,537)	(2,062,238)
Total comprehensive (loss)/income for the year ended 31 December 2011	–	(12,098,996)	(12,098,996)	1,151,493	(10,947,503)
Total contributions by and distributions to owners of the Company recognised directly in equity					
Issue of shares on exercising of share options of a subsidiary	–	359	359	2,589	2,948
Contribution from non-controlling shareholders of subsidiaries	–	–	–	138,105	138,105
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(753,539)	(753,539)
2010 final dividend	–	(919,465)	(919,465)	–	(919,465)
Distributions	–	(90,800)	(90,800)	(1,887)	(92,687)
Conversion of jointly controlled entities to subsidiaries	–	–	–	478,386	478,386
Acquisition of additional interest in a subsidiary	–	(20,999)	(20,999)	(2,600)	(23,599)
Conversion of a subsidiary to an associate	–	–	–	(4,353)	(4,353)
Others	–	(3,772)	(3,772)	(4,923)	(8,695)
Total contributions by and distributions to owners of the Company	–	(1,034,677)	(1,034,677)	(148,222)	(1,182,899)
As at 31 December 2011	10,216,274	24,479,012	34,695,286	15,475,167	50,170,453

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash used in operations	35(a)	**(5,410,397)**	(5,262,493)
Interest received		**752,022**	873,653
Income tax paid		**(547,972)**	(487,128)
Net cash used in operating activities		**(5,206,347)**	(4,875,968)
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		**(11,393,695)**	(8,546,172)
Acquisition of a subsidiary, net of cash acquired		**(8,984)**	(2,564)
Investments in jointly controlled entities and associates		**(476,757)**	(241,131)
Purchase of available-for-sale financial assets		**–**	(18,411)
Loans granted to jointly controlled entities		**(38,088)**	–
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**446,384**	1,558,522
Cash received from disposal of associates		**822**	46,527
Cash received from disposal of available-for-sale financial assets		**–**	7,078
Cash received from disposal of assets held for sale		**–**	184,000
Repayments of loans granted to jointly controlled entities and associates		**380,399**	247,549
Cash paid for purchase of subsidiaries from COSCO Group		**–**	(179,062)
Dividends received from jointly controlled entities		**1,153,793**	620,304
Dividends received from associates		**637,040**	570,188
Dividends received from available-for-sale financial assets		**17,375**	19,642
Conversion of a subsidiary to an associate		**–**	(22,084)
Conversion of jointly controlled entities to subsidiaries		**–**	83,413
Acquisition of remaining equity interests from non-controlling interests		**–**	(23,599)
Net cash used in investing activities		**(9,281,711)**	(5,695,800)

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**34,553,746**	27,172,726
Repayments of borrowings		**(24,315,825)**	(12,529,307)
Proceeds from issuance of bonds	22(c)(ii)	**6,200,585**	—
Proceeds from exercise of share options of a subsidiary by grantees		**–**	2,948
Dividend		**–**	(919,465)
Dividends paid to non-controlling interests		**(381,061)**	(746,072)
Contributions from non-controlling shareholders of subsidiaries		**1,200**	138,105
Interest paid		**(2,386,859)**	(1,707,205)
Other incidental borrowing costs and charges paid		**(166,680)**	(54,247)
Increase in restricted bank deposits		**354,000**	355,796
Disposal of shares in a subsidiary by a non-controlling shareholder		**(3,323)**	—
Distributions to former shareholders of the subsidiaries		**–**	(6,324)
Net cash generated from financing activities		**13,855,783**	11,706,955
Net increase in cash and cash equivalents		**(632,275)**	1,135,187
Cash and cash equivalents as at 1 January		**46,962,725**	46,683,220
Exchange gain/(losses)		**6,343**	(855,682)
Cash and cash equivalents as at 31 December	17	**46,336,793**	46,962,725

The notes on pages 152 to 253 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

China COSCO Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No. 1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

The businesses of the Company and its subsidiaries (the "Group") include the provisions of a range of container shipping, dry bulk shipping, managing and operating container terminals, container leasing and logistics services all over the world.

The directors of the Company (the "Directors") regard China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, as being the Company's parent company (note 38). COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

The Consolidated Financial Statements are presented in Renminbi ("RMB'') and all values are rounded to the nearest thousand except when otherwise indicated.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 27 March 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Consolidated Financial Statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets and derivative financial instruments are stated at fair value.

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Amendments to standards which are effective in 2012 and adopted by the Group

HKICPA has issued some amendments to standards which are mandatory and adopted by the Group for the accounting periods on or after 1 January 2012. The adoption of those amendments does not have any significant impact to the Group's results for the year ended 31 December 2012 and the Group's financial position as at 31 December 2012.

(ii) New and revised standards and amendments to standards that are relevant to the Group but not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
New and revised standards and amendments to standards		
HKAS 1 (Amendment)	Financial statements presentation regarding other comprehensive income	1 July 2012
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

HKICPA has issued the following improvements to HKFRS/HKAS:

		Effective for accounting periods beginning on or after
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property, plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

The Group will apply the new and revised standards and amendments and improvements to standards from 1 January 2013 or later periods. The Group has already commenced an assessment of the related impact to the Group. Except for certain changes in presentation and disclosures of consolidated financial information, it is anticipated that the adoption of new and revised standards, amendments to standards and improvements are not expected to have any significant effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

2 Summary of significant accounting policies (Continued)

(b) Group accounting

The Consolidated Financial Statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

The Consolidated Financial Statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Consolidated Financial Statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combinations (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less impairment (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

(iv) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as jointly controlled entity, associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(vi) Jointly controlled entities/associates

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the ventures have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled entities/associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities/associates include goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the Consolidated Financial Statements based on the fair values of the assets and liabilities acquired at the date of acquisition.

If the ownership interest in a jointly controlled entity/associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its jointly controlled entities'/associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity/an associate equals or exceeds its interest in the jointly controlled entity/associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity/associate.

Dilution gains and losses arising in investments in jointly controlled entities/associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in the jointly controlled entities/associates are stated at cost less provision for impairment losses (note 2(h)). The results of jointly controlled entities/associates are accounted for by the Company on the basis of dividend received and receivable.

Accounting policies of subsidiaries, jointly controlled entities and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its jointly controlled entities and associates are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in the income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the income statement within "other expenses/income, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies (Continued)

(3) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in jointly controlled entities or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition. No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels, dry bulk vessels and containers

Container vessels, dry bulk vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(ii) Container vessels, dry bulk vessels and containers (Continued)

Container vessels, dry bulk vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Dry bulk vessels for	
– Ocean transportation	20 years
– Coastal transportation	30 - 33 years (from the date of first registration)
Containers	12 - 15 years

When the containers cease to be used by the Group and are held for sale, these containers are transferred to inventories at their carrying amount.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer and office equipment	3 to 5 years

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

(iv) Leasehold land

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as shorter of remaining lease term or useful life.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

(f) Leasehold land and land use rights

Leasehold land and land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, jointly controlled entities and associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (Continued)

(g) Intangible assets (Continued)

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

(h) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

2 Summary of significant accounting policies (Continued)

(i) Assets under leases (Continued)

(i) Where the Group is the lessee

(1) Operating leases

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the income statement on a straight-line basis over the lease periods.

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

For sales and leaseback transactions resulting in an finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in notes 2(d)(ii) and 2(d)(iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(v)(iv) below.

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(v)(iv) below.

2 Summary of significant accounting policies (Continued)

(j) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables, cash and cash equivalents and restricted bank deposits in the balance sheet (notes 2(l) and 2(m)).

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that in determining whether the securities are impaired. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2(l).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the directors/management. Net realisable value of other inventories such as resaleable containers, merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Summary of significant accounting policies (Continued)

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

(m) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

(q) Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received.

Government subsidies relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government subsidies and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (Continued)

(r) Employee benefits

(i) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans in a number of territories. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to the consolidated income statement as expense when incurred.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement benefit liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the consolidated income statement directly in the period in which they arise.

Past-service costs are recognised immediately in the consolidated income statement, unless the changes to the retirement benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by management. The related benefit payments are made from the date of early retirement through the normal retirement date.

(ii) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 Summary of significant accounting policies (Continued)

(r) Employee benefits (Continued)

(iii) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liability recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in the income statement.

(iv) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(i) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the consolidated income statement.

(ii) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the subsidiary when the options are exercised.

2 Summary of significant accounting policies (Continued)

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Consolidated Financial Statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Consolidated Financial Statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(v) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for merchandise sold or the provision of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenues and income on the following bases:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from dry bulk shipping

Revenues from time charter of dry bulk shipping are recognised on a straight-line basis over the period of each charter.

Revenues from voyage charter of dry bulk shipping are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

2 Summary of significant accounting policies (Continued)

(v) Recognition of revenues and income (Continued)

(iii) Revenues from container terminal operations

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(iv) Revenues from lease rental income

Rental income arising from assets leased out under operating leases is recognised on a straight-line basis over the period of each lease.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier’s charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

(vi) Revenues from sale of resaleable containers

Revenues from sale of resaleable containers are recognised on the transfer of risks and rewards of ownership, which generally coincides with the times when the resaleable containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of resaleable containers for sale are expensed as incurred.

(vii) Revenues from sale of merchandises

Revenues from the sale of merchandises are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandises and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the merchandises sold.

(viii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 Summary of significant accounting policies (Continued)

(v) Recognition of revenues and income (Continued)

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Other service income

Other service income is recognised when the services are rendered.

(w) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

(x) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(y) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee works closely with the Audit Committee and the Board of Directors to review the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Board of Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping and dry bulk shipping of the Group would increase/decrease by RMB624,233,000 (2011: RMB625,472,000) for 1% increase/decrease of average freight rates with all other variables held constant.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The actual foreign exchange risk faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2012, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax loss for the year would have increased/decreased by approximately RMB588,452,000 (2011: post-tax loss for the year would have decreased/increased by approximately RMB46,731,000) and the equity as at 31 December 2012 would have decreased/increased by approximately RMB588,452,000 (2011: the equity would have increased/decreased by approximately RMB46,731,000) respectively as a result of the translation of those Non-Functional Currency Items.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and certain loans to jointly controlled entities and associates (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2012, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in an increase/a decrease in the Group's post-tax loss for the year by approximately RMB137,046,000 (2011: a decrease/an increase of RMB10,632,000) and the equity as at 31 December 2012 would have decreased/increased by RMB137,046,000 (2011: increased /decreased by RMB10,632,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

As at 31 December 2012, the Group had no bunker forward contracts (2011: Nil).

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits and cash and cash equivalents with banks and financial institutions; derivative financial instruments transacted with banks, financial institutions and shipping companies through shipping agents or brokers, trade and other receivables and down payment to shipyards.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk (Continued)

The trade customers (including related parties) and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units. The Group monitors the financial positions of the trade customers related to its supply chain logistics business on a regular basis and considers obtaining guarantees from such trade customers or their related parties if necessary.

The Group reviews the creditworthiness of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements. As at 31 December 2012, the Group is in the process of negotiation with the certain banks for the breach of loan covenants. Management does not expect that the breach has any significant impact to the Group or the banks will request for early or partial repayments, as required.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

For the year ended 31 December 2012, the Group's operating loss and loss for the year amounted to RMB7,521,028,000 and RMB8,137,441,000 respectively. The net operating cash outflow amounted to RMB5,206,347,000.

The Directors of the Company has reviewed the prevailing environment and believed that based on the Group's available unused banking facilities in excess of RMB25,426,655,000 and its cash and cash equivalents of RMB46,336,793,000, the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when they fall due.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2012				
Bank and other borrowings	**16,542,902**	**26,538,012**	**31,850,966**	**25,634,476**
Trade and other payables (excluding advance from customers) (note 24)	**22,201,686**	**–**	**–**	**–**
As at 31 December 2011				
Bank and other borrowings	23,337,124	12,766,403	28,811,484	19,380,484
Trade and other payables (excluding advance from customers) (note 24)	20,466,247	–	–	–

Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2012				
Bank and other borrowings	**812,500**	**10,812,500**	**1,306,500**	**9,870,500**
Trade and other payables (note 24)	**576,121**	**–**	**–**	**–**
Amounts due to subsidiaries (note 10)	**5,156,745**	**–**	**–**	**–**
As at 31 December 2011				
Bank and other borrowings	812,500	812,500	11,421,149	10,217,764
Trade and other payables (note 24)	591,580	–	–	–
Amounts due to subsidiaries (note 10)	5,537,105	–	–	–

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3 Financial risk management (Continued)

(b) Capital risk management (Continued)

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and cash equivalents. The Group aims to maintain a manageable net debt to equity ratio. As at 31 December 2012, the net debt to equity ratio is summarised as follows:

	2012	2011
	RMB'000	RMB'000
Long-term borrowings (note 22)	**87,951,014**	74,175,552
Short-term borrowings (note 25)	**5,253,237**	2,850,888
Total borrowings	**93,204,251**	77,026,440
Less: Cash and cash equivalents (note 17)	**(46,336,793)**	(46,962,725)
Net debt	**46,867,458**	30,063,715
Total equity	**41,697,521**	50,170,453
Net debt to total equity ratio	**112.4%**	59.9%

The increase in net debt to total equity ratio during 2012 resulted primarily from borrowings for financing the working capital and capital expenditure of container shipping, dry bulk shipping and container terminal businesses.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial assets	–	53,823	–	53,823
Available-for-sale financial assets (note 14)	206,929	249,515	42,677	499,121
Total assets	206,929	303,338	42,677	552,944
Liabilities				
Borrowings under fair value hedge	–	1,326,882	–	1,326,882
Total liabilities	–	1,326,882	–	1,326,882

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial assets	–	87,884	–	87,884
Available-for-sale financial assets (note 14)	237,904	199,493	44,328	481,725
Total assets	237,904	287,377	44,328	569,609
Liabilities				
Borrowings under fair value hedge	–	1,346,943	–	1,346,943
Total liabilities	–	1,346,943	–	1,346,943

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is based on the market price quoted by dealers as at the balance sheet date.
- The fair value of FFA is determined using quoted forward freight market rates as at the balance sheet date.
- The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimated impairment of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment indication as to whether the carrying amounts of the container vessels, dry bulk vessels and containers may be recoverable or not. Whenever there is any impairment indication exists, management performs impairment assessment of the container vessels, dry bulk vessels and containers.

Management was of the view that impairment indication exists for container vessels and certain dry bulk vessels. Impairment assessment for these vessels has been performed. The recoverable amounts of these vessels have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continued use of these vessels (including the amount to be received for the disposal of these vessels) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment. Based on management's best estimates for the value-in-use calculation, there was no impairment for these vessels for the year.

4 Critical accounting estimates and judgements (Continued)

(ii) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels, dry bulk vessels and containers. Management estimates useful lives of the container vessels, dry bulk vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels, dry bulk vessels and containers by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels, dry bulk vessels and containers are different from the previous estimate.

During the year ended 31 December 2012, management re-assessed the residual value of containers. Management concluded that the residual value should be revised upward referring to the expected scrap value of steel in an active market to reflect more fairly the residual value of these assets. This change in accounting estimates has been accounted for prospectively. The net book value of property, plant and equipment as at 31 December 2012 has been increased and the loss before income tax for the year ended 31 December 2012 has been decreased by the same amount of approximately RMB25,095,000 by way of a decrease in depreciation charge for the year as a result of such change.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2012 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been decreased by RMB 358,434,000 or increased by RMB 557,832,000 for the year ended 31 December 2012.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2012 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been decreased by RMB 86,273,000 or increased by RMB 91,144,000 for the year ended 31 December 2012.

(iii) Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated chartered-out dry bulk vessel contracts, and estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obliged to make under the non-cancellable chartered-in dry bulk vessel contracts.

Management conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and had a provision of RMB1,433,722,000 (31 December 2011: RMB1,414,780,000) for onerous contracts at 31 December 2012 (note 23(b)). Those contracts under assessment relate to leases (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts.

4 Critical accounting estimates and judgements (Continued)

(iii) Provision for onerous contracts (Continued)

The dry bulk market is currently highly volatile and freight rates longer than 12 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease terms expiring over 12 months after the balance sheet date, and with period not being covered by chartered-out dry bulk vessel contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured (note 23(b)).

Had the estimated freight rates for the onerous contracts as at 31 December 2012, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased or increased by RMB25,989,000 (2011: RMB31,073,000).

(iv) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Had the actual expenses of a voyage been decreased / increased by 10% from management's estimates for the year ended 31 December 2012, the voyage expenses would have been RMB343,600,000 (2011: RMB322,544,000) lower or higher in the future periods.

(v) Control over COSCO Pacific

During the year, the Group's equity interest in COSCO Pacific increased from 42.71% to 43.21% upon COSCO Pacific's issuance of new shares to its existing shareholders in lieu of 2011 final and 2012 interim scrip dividends (note 35(b)).

The Group remains as the single largest shareholder of COSCO Pacific.

Management has exercised its critical judgement when determining whether the Group has de-facto control over COSCO Pacific by considering the following:

(a) the Group has effective control of the board of COSCO Pacific;

(b) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO Pacific's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(c) the shareholding of other minority shareholders is dispersed, and the chance of all other shareholders getting together to vote against the Group is remote based on the historical records.

Based on management's assessment, it is concluded that the Group has obtained de-facto control over COSCO Pacific and the Group's 43.21% equity interest in COSCO Pacific is accounted for and consolidated into the Consolidated Financial Statements of the Group as a subsidiary.

4 Critical accounting estimates and judgements (Continued)

(vi) Income taxes, business taxes, value-added taxes and withholding taxes

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business taxes, value-added taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 15).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liability as at 31 December 2012 would have been increased by the same amount of RMB1,814,277,000.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 15).

(vii) Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on prior experience by taking into account the past due status, the financial position of debtors and the guarantees obtained for the outstanding debts. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

(viii) Provision for claims under pending litigations

Management estimates the provision for claims under pending litigations mainly based on the status of the claims, the advice of legal counsel, the recoverable amounts from insurance companies and other available information. Should there be any change in the assumptions and estimates, revisions to the provision for claims under pending litigations would be required.

5 Revenues and segment information

Revenues include gross revenues from operations of container shipping, dry bulk shipping, logistics, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the year are as follows:

	2012 RMB'000	2011 RMB'000
Container shipping (note a)	47,446,808	40,248,387
Dry bulk shipping (note b)	14,976,519	22,298,770
Logistics	20,311,971	17,192,511
Container terminal operations	2,322,654	1,746,694
Container leasing, management and sale (note c)	1,225,516	932,057
Turnover	86,283,468	82,418,419
Crew service income	354,921	340,171
Others	1,690,749	1,880,588
Total revenues	88,329,138	84,639,178

Notes:

(a) Turnover from container shipping under time charter hire agreements was RMB284,550,000 for the year ended 31 December 2012 (2011: RMB343,297,000).

(b) Turnover from dry bulk shipping under time charter hire agreements was RMB4,549,506,000 for the year ended 31 December 2012 (2011: RMB9,284,328,000).

(c) Turnover from container leasing, management and sale is analysed below:

	2012 RMB'000	2011 RMB'000
Operating lease rentals	949,649	809,422
Finance lease income	7,026	4,805
Proceeds from sale of resaleable containers	268,841	117,830
	1,225,516	932,057

5 Revenues and segment information (Continued)

Operating segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

– Container shipping and related business

– Dry bulk shipping and related business

– Logistics

– Container terminal operations and related business

– Container leasing, management, sale and related business

– Corporate and other operations that primarily comprise container manufacturing, investment holding, management services and financing

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, restricted bank deposits, other non-current assets, inventories, receivables, and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, other non-current liabilities and payables.

Unallocated assets consist of deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in jointly controlled entities and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2012							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Total revenues	48,446,037	16,090,944	20,391,451	2,586,602	2,121,573	16,936	(1,324,405)	88,329,138
Inter-segment revenues	(20,842)	(64,078)	(79,480)	(263,948)	(896,057)	–	1,324,405	–
Revenues (from external customers)	48,425,195	16,026,866	20,311,971	2,322,654	1,225,516	16,936	–	88,329,138
Segment (loss)/profit	(1,528,555)	(7,774,469)	595,072	678,992	985,848	(477,916)	–	(7,521,028)
Finance income								855,515
Finance costs								(2,479,957)
Net related exchange gain								37,469
Share of profits less losses of								
– jointly controlled entities	(1,614)	40,432	62,681	608,671	–	–	–	710,170
– associates	2,758	(1,197)	111,751	408,143	–	479,031	–	1,000,486
Loss before income tax								(7,397,345)
Income tax expenses								(740,096)
Loss for the year								(8,137,441)
Depreciation and amortisation	1,275,216	1,302,381	188,939	382,392	663,055	15,404	–	3,827,387
Provision/(reversal of provision) for impairment of trade and other receivables, net	5,654	31,719	131,992	(38)	(3,749)	–	–	165,578
Amortised amount of transaction costs on long-term borrowings	36,598	16,937	–	–	14,349	12,021	–	79,905
Additions to non-current assets	5,148,286	1,787,030	281,071	2,733,925	2,352,444	18,638	–	12,321,394

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2011							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Total revenues	41,436,683	23,361,685	17,270,621	2,138,503	1,785,996	11,827	(1,366,137)	84,639,178
Inter-segment revenues	(30,707)	(11,572)	(78,110)	(391,809)	(853,939)	–	1,366,137	–
Revenues (from external customers)	41,405,976	23,350,113	17,192,511	1,746,694	932,057	11,827	–	84,639,178
Segment (loss)/profit	(6,358,892)	(5,424,666)	626,524	492,741	805,801	(437,520)	–	(10,296,012)
Finance income								916,380
Finance costs								(1,733,691)
Net related exchange gain								1,199,103
Share of profits less losses of								
– jointly controlled entities	(7,954)	41,012	57,584	624,108	–	–	–	714,750
– associates	4,594	7,534	87,935	384,191	–	860,987	–	1,345,241
Loss before income tax								(7,854,229)
Income tax expenses								(1,031,036)
Loss for the year								(8,885,265)
Depreciation and amortisation	1,267,868	1,241,828	160,736	325,836	577,448	15,483	–	3,589,199
Provision/(reversal of provision) for impairment of trade and other receivables, net	68,442	40,950	10,496	22	(2,189)	–	–	117,721
Amortised amount of transaction costs on long-term borrowings	35,361	16,970	–	–	6,762	6,908	–	66,001
Additions to non-current assets	2,024,667	2,257,828	328,199	6,023,461	2,806,844	130,888	–	13,571,887

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2012							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	**51,066,355**	**44,594,159**	**11,416,717**	**15,587,183**	**13,003,500**	**34,429,181**	**(22,469,094)**	**147,628,001**
Jointly controlled entities	**438,751**	**622,840**	**425,699**	**3,768,218**	**–**	**–**	**–**	**5,255,508**
Associates	**31,870**	**104,622**	**524,679**	**4,816,188**	**–**	**5,883,493**	**–**	**11,360,852**
Loans to jointly controlled entities and associates	**–**	**–**	**–**	**226,146**	**–**	**–**	**–**	**226,146**
Available-for-sale financial assets	**70,321**	**108,876**	**162,786**	**157,138**	**–**	**–**	**–**	**499,121**
Unallocated assets								**238,281**
Total assets								**165,207,909**
Segment liabilities	**49,037,519**	**35,263,409**	**6,323,066**	**9,901,177**	**7,142,566**	**35,104,952**	**(22,469,094)**	**120,303,595**
Unallocated liabilities								**3,206,793**
Total liabilities								**123,510,388**

	As at 31 December 2011							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	47,792,937	51,049,787	11,355,964	13,897,053	10,861,514	41,321,058	(36,129,783)	140,148,530
Jointly controlled entities	461,868	738,184	390,158	3,387,996	–	–	–	4,978,206
Associates	30,025	109,515	458,361	4,868,395	–	5,698,350	–	11,164,646
Loans to jointly controlled entities and associates	–	–	–	182,285	–	–	–	182,285
Available-for-sale financial assets	58,173	144,511	171,926	107,115	–	–	–	481,725
Unallocated assets								503,493
Total assets								157,458,885
Segment liabilities	43,501,724	47,988,557	6,682,057	8,541,381	5,712,511	27,581,624	(36,129,783)	103,878,071
Unallocated liabilities								3,410,361
Total liabilities								107,288,432

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of logistics, container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2012 RMB'000	2011 RMB'000
Container shipping and related business		
– America	**14,948,551**	12,283,093
– Europe	**12,309,427**	9,589,310
– Asia Pacific	**7,594,778**	6,665,410
– China domestic	**11,866,155**	11,294,373
– Other international market	**1,706,284**	1,573,790
Dry bulk shipping and related business		
– International shipping	**14,200,598**	21,340,071
– PRC coastal shipping	**1,826,268**	2,010,042
Logistics, container terminal operations and related business, corporate and other operations		
– Europe	**913,207**	699,866
– Asia Pacific	**197,298**	199,058
– China domestic	**21,541,056**	18,052,108
Unallocated	**1,225,516**	932,057
Total	**88,329,138**	84,639,178

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, jointly controlled entities and associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels under construction are presented as unallocated non-current assets.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets (Continued)

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
China domestic	**34,555,873**	32,959,497
Non-China domestic	**3,792,008**	3,013,998
Unallocated	**62,621,528**	56,951,225
Total	**100,969,409**	92,924,720

6 Property, plant and equipment

Group

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2012	9,313,734	35,767,658	47,768,684	11,193,034	1,547,085	4,266,537	11,400,126	121,256,858
Currency translation differences	11,151	(58,543)	(70,311)	(35,909)	4,907	14,476	(7,620)	(141,849)
Reclassification between categories and transfer to investment properties, leasehold land and land use rights and intangible assets	2,665,139	4,284,448	1,026,034	–	1,225	922,260	(8,918,059)	(18,953)
Additions	86,789	–	198,805	2,345,649	40,291	267,484	8,831,157	11,770,175
Disposals/write-off	(4,220)	(1,229,468)	(1,220,272)	(139,722)	(76,459)	(121,552)	–	(2,791,693)
Transfer to inventories	–	–	–	(264,522)	–	–	–	(264,522)
As at 31 December 2012	12,072,593	38,764,095	47,702,940	13,098,530	1,517,049	5,349,205	11,305,604	129,810,016
Accumulated depreciation and impairment								
As at 1 January 2012	1,313,189	17,393,599	24,948,412	2,209,786	895,931	1,466,255	–	48,227,172
Currency translation differences	4,959	(18,966)	(33,091)	(6,850)	3,507	2,721	–	(47,720)
Depreciation charge for the year	299,878	1,093,771	1,207,974	649,933	109,304	302,033	–	3,662,893
Disposals/write-off	(2,616)	(1,155,004)	(1,071,396)	(93,697)	(60,227)	(120,640)	–	(2,503,580)
Transfer to inventories	–	–	–	(172,149)	–	–	–	(172,149)
As at 31 December 2012	1,615,410	17,313,400	25,051,899	2,587,023	948,515	1,650,369	–	49,166,616
Net book value								
As at 31 December 2012	10,457,183	21,450,695	22,651,041	10,511,507	568,534	3,698,836	11,305,604	80,643,400

6 Property, plant and equipment (Continued)

Group (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2011	6,121,503	36,745,258	46,468,589	10,663,560	1,593,039	2,639,430	9,667,679	113,899,058
Currency translation differences	(18,352)	(875,690)	(1,411,906)	(541,843)	(11,097)	(47,720)	(326,767)	(3,233,375)
Reclassification between categories and transfer to investment properties, leasehold land and land use rights and intangible assets	511,865	–	3,001,943	–	8,096	151,520	(3,713,461)	(40,037)
Acquisition of a subsidiary	–	–	–	–	–	917	–	917
Conversion of jointly controlled entities to subsidiaries	2,649,952	–	–	–	3	1,191,994	576,539	4,418,488
Additions	55,631	–	23,912	2,795,854	46,398	426,863	5,269,566	8,618,224
Disposals/write-off	(6,865)	(101,910)	(313,854)	(1,543,165)	(89,354)	(95,148)	(73,430)	(2,223,726)
Conversion of a subsidiary to an associate	–	–	–	–	–	(1,319)	–	(1,319)
Transfer to inventories	–	–	–	(181,372)	–	–	–	(181,372)
As at 31 December 2011	9,313,734	35,767,658	47,768,684	11,193,034	1,547,085	4,266,537	11,400,126	121,256,858
Accumulated depreciation and impairment								
As at 1 January 2011	1,056,102	16,748,598	24,715,800	2,128,251	897,698	1,256,860	–	46,803,309
Currency translation differences	(4,935)	(329,332)	(630,071)	(108,707)	(5,839)	(10,726)	–	(1,089,610)
Depreciation charge for the year	268,780	1,068,311	1,136,692	567,831	84,958	305,586	–	3,432,158
Conversion of a subsidiary to an associate	–	–	–	–	–	(1,237)	–	(1,237)
Disposals/write-off	(6,758)	(93,978)	(274,009)	(240,346)	(80,886)	(84,228)	–	(780,205)
Transfer to inventories	–	–	–	(137,243)	–	–	–	(137,243)
As at 31 December 2011	1,313,189	17,393,599	24,948,412	2,209,786	895,931	1,466,255	–	48,227,172
Net book value								
As at 31 December 2011	8,000,545	18,374,059	22,820,272	8,983,248	651,154	2,800,282	11,400,126	73,029,686

6 Property, plant and equipment (Continued)

Company

	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost			
As at 1 January 2012	**4,707**	**12,641**	**17,348**
Additions	**—**	**1,107**	**1,107**
As at 31 December 2012	**4,707**	**13,748**	**18,455**
Accumulated depreciation			
As at 1 January 2012	**3,875**	**8,498**	**12,373**
Depreciation charge for the year	**494**	**1,781**	**2,275**
As at 31 December 2012	**4,369**	**10,279**	**14,648**
Net book value			
As at 31 December 2012	**338**	**3,469**	**3,807**
Cost			
As at 1 January 2011	4,707	9,680	14,387
Additions	—	2,961	2,961
As at 31 December 2011	4,707	12,641	17,348
Accumulated depreciation			
As at 1 January 2011	3,336	7,517	10,853
Depreciation charge for the year	539	981	1,520
As at 31 December 2011	3,875	8,498	12,373
Net book value			
As at 31 December 2011	832	4,143	4,975

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor/charterer under the operating lease/time charter arrangements, are set out below:

	Containers RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Total RMB'000
As at 31 December 2012				
Cost	**7,928,285**	**936,325**	**26,361,931**	**35,226,541**
Accumulated depreciation and impairment	**(1,659,051)**	**(485,052)**	**(13,500,772)**	**(15,644,875)**
	6,269,234	**451,273**	**12,861,159**	**19,581,666**
As at 31 December 2011				
Cost	7,205,157	4,137,611	27,010,341	38,353,109
Accumulated depreciation and impairment	(1,363,087)	(893,578)	(15,783,174)	(18,039,839)
	5,842,070	3,244,033	11,227,167	20,313,270

(b) As at 31 December 2012, container vessels, dry bulk vessels and vessels under construction with aggregate net book values of RMB12,324,439,000, RMB11,074,839,000 and RMB4,812,609,000 (2011: RMB9,848,214,000, RMB10,092,045,000 and RMB2,732,896,000) respectively were pledged as security for loan facilities granted by banks (note 22(i)).

(c) As at 31 December 2012, buildings and certain property, plant and equipment with net book value of RMB50,135,000 and RMB118,725,000 (2011: RMB52,315,000 and RMB121,462,000) respectively were pledged as security for long-term bank borrowings and loan from an associate (note 22(i)).

(d) In 2006, the Group entered into agreements for Vessel Financing Lease Arrangements. These two vessels with net book values of RMB660,789,000 (equivalent to approximately US$105,129,000) as at 31 December 2012 (2011: RMB691,189,000 (equivalent to approximately US$109,697,000)) are accounted for as property, plant and equipment (note 22(i)).

As at 31 December 2012, the balance of RMB314,595,000 (equivalent to approximately US$50,051,000) (2011: RMB350,708,000 (equivalent to approximately US$55,660,000)) in respect of the arrangements was included in bank loans under long-term borrowings.

(e) During the year, interest expenses of RMB120,914,000 (2011: RMB89,226,000) were capitalised in vessel costs during the vessel construction period (note 28).

(f) As at 31 December 2012, deposits paid by the Group in relation to construction work of vessels not yet commenced, amounting to RMB1,069,201,000 (2011: RMB2,588,097,000) were included in assets under construction.

(g) The accumulated impairment losses of property, plant and equipment as at 31 December 2012 amounted to RMB2,406,598,000 (2011: RMB2,434,347,000).

7 Investment properties

	Group 2012 RMB'000	2011 RMB'000
Cost	**673,690**	661,744
Accumulated depreciation	**(194,988)**	(171,843)
Net book value as at 1 January	**478,702**	489,901
Currency translation differences	**33**	(1,055)
Reclassification from leasehold land and land use rights	**47,211**	322
Conversion of a jointly controlled entity to a subsidiary	**–**	18,967
Additions	**–**	5,219
Reclassification to property, plant and equipment	**(10,619)**	(8,320)
Depreciation	**(39,736)**	(26,332)
Net book value as at 31 December	**475,591**	478,702
Cost	**713,457**	673,690
Accumulated depreciation	**(237,866)**	(194,988)
Net book value as at 31 December	**475,591**	478,702

The fair value of the investment properties as at 31 December 2012 was RMB2,221,604,000 (2011: RMB2,117,707,000). The fair value is estimated by management with reference to recent market transactions or independent professional property valuers based on current prices in an active market, where applicable.

The Group's interests in investment properties at their net book value are analysed as follows:

	Group 2012 RMB'000	2011 RMB'000
In Hong Kong, held on:		
Leases of over 50 years	**5,140**	17,907
In China Mainland, held on:		
Leases of over 50 years	**11,710**	18,967
Leases of between 10 to 50 years	**456,577**	439,171
Leases of less than 10 years	**2,164**	2,657
	470,451	460,795
Total	**475,591**	478,702

8 Leasehold land and land use rights

	Group 2012 RMB'000	2011 RMB'000
Cost	**2,931,789**	2,392,415
Accumulated amortisation	**(258,991)**	(191,114)
Net book value as at 1 January	**2,672,798**	2,201,301
Currency translation differences	**(87)**	(178)
Additions	**16,028**	76,876
Conversion of a jointly controlled entity to a subsidiary	**–**	424,952
Reclassification from property, plant and equipment	**–**	39,980
Reclassification to investment properties	**(47,211)**	(322)
Disposals	**(8,867)**	(3,209)
Amortisation	**(65,227)**	(66,602)
Net book value as at 31 December	**2,567,434**	2,672,798
Cost	**2,880,556**	2,931,789
Accumulated amortisation	**(313,122)**	(258,991)
Net book value as at 31 December	**2,567,434**	2,672,798

Note:

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value, are analysed as follows:

	Group 2012 RMB'000	2011 RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**17,173**	17,825
Leases of between 10 to 50 years	**2,550,261**	2,654,973
Total	**2,567,434**	2,672,798

9 Intangible assets

	Group			Company
		Computer		Computer
	Goodwill	software	Total	software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012				
Opening net book value	26,471	169,580	196,051	2,289
Currency translation differences	–	72	72	–
Additions	–	25,336	25,336	–
Reclassification from property, plant and equipment	–	29,572	29,572	–
Amortisation	–	(47,883)	(47,883)	(748)
Disposal/write-off	–	(651)	(651)	–
Closing net book value	26,471	176,026	202,497	1,541
At 31 December 2012				
Cost	26,471	840,748	867,219	4,032
Accumulated amortisation	–	(664,722)	(664,722)	(2,491)
Net book value	26,471	176,026	202,497	1,541

9 Intangible assets (Continued)

	Group			Company
		Computer		Computer
	Goodwill	software	Total	software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011				
Opening net book value	26,471	184,024	210,495	1,160
Currency translation differences	—	(3,347)	(3,347)	—
Additions	—	23,856	23,856	1,660
Reclassification from property, plant and equipment	—	8,377	8,377	—
Conversion of a jointly controlled entity to a subsidiary	—	8,894	8,894	—
Acquisition of a subsidiary	—	112	112	—
Amortisation	—	(51,262)	(51,262)	(531)
Disposal/write-off	—	(1,074)	(1,074)	—
Closing net book value	26,471	169,580	196,051	2,289
At 31 December 2011				
Cost	26,471	793,483	819,954	4,032
Accumulated amortisation	—	(623,903)	(623,903)	(1,743)
Net book value	26,471	169,580	196,051	2,289

Amortisation of intangible assets of RMB6,865,000 and RMB41,018,000 (2011: RMB4,139,000 and RMB47,123,000) are included in the "Cost of services and inventories sold" and "Selling, administrative and general expenses" respectively in the consolidated income statement.

10 Subsidiaries

	Company 2012 RMB'000	2011 RMB'000
Non-current assets		
Unlisted investments		
At cost	**52,549,186**	38,237,860
Equity loan to a subsidiary (note a)	**–**	13,871,270
	52,549,186	52,109,130
Loans to subsidiaries (note c)	**13,866,882**	13,823,299
Current assets		
Amounts due from subsidiaries (note a)	**182,939**	574,067
Advances to subsidiaries (note b)	**394,900**	421,900
	577,839	995,967
Current liabilities		
Amounts due to subsidiaries (note a)	**(5,156,745)**	(5,537,105)

Notes:

(a) Equity loan to a subsidiary and amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The equity loan to a subsidiary was capitalised during the year and then recognised as investment cost.

(b) The advances to subsidiaries are unsecured, bear interest at 1% per annum and are wholly repayable on demand. These advances were funded from the Company's A-share proceeds used for special purposes. They are arranged and entrusted through PRC banks to its subsidiaries.

(c) The loans of RMB13,844,317,000 (2011: RMB13,799,228,000) to subsidiaries are unsecured and were funded by the proceeds from the issue of notes by the Company. The terms of repayment and interest rates charged for the loans to the subsidiaries were identical with the terms of certain notes issued by the Company (note 22(c)(i)) except for a loan of RMB5,000,000,000 to a subsidiary was interest free for the years ended 31 December 2012 and 2011.

The remaining loan balance of RMB22,565,000 (2011: RMB24,071,000) is unsecured, interest free and has no fixed terms of repayment.

As at 31 December 2012, the fair value of the loans to subsidiaries amounted to RMB13,599,000,000 (2011: RMB13,471,000,000).

(d) Details of the principal subsidiaries as at 31 December 2012 are shown in note 40(a).

11 Jointly controlled entities

	Group 2012 RMB'000	2011 RMB'000
Share of net assets – unlisted	**4,990,417**	4,587,531
Goodwill on acquisitions (note a)	**265,091**	261,128
Loan (note b)	**—**	129,547
	5,255,508	4,978,206

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in certain terminal companies. The movement during the year was mainly resulted from currency translation differences.

(b) The loan to a jointly controlled entity was equity in nature, unsecured, interest free and was not repayable within twelve months.

(c) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Total assets RMB'000	Total liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
31 December 2012	**9,541,080**	**(4,518,197)**	**(32,466)**	**4,279,456**	**710,170**
31 December 2011	9,195,178	(4,573,745)	(33,902)	3,916,450	714,750

(d) The Company has no directly owned jointly controlled entity as at 31 December 2012 and 2011. Details of the principal jointly controlled entities as at 31 December 2012 are shown in note 40(b).

As at 31 December 2012, there were no significant contingent liabilities relating to the Group's interests in jointly controlled entities. In addition, none of the jointly controlled entities had any significant contingent liabilities.

12 Associates

	Group 2012 RMB'000	2011 RMB'000
Share of net assets		
Listed shares (note a)	**5,055,913**	4,889,879
Unlisted shares	**5,613,622**	5,203,828
	10,669,535	10,093,707
Goodwill on acquisitions (note b)	**177,748**	178,183
Loans (note c)	**513,569**	892,756
	11,360,852	11,164,646
Market value of listed shares	**6,411,908**	6,624,174

12 Associates (Continued)

Notes:

(a) As at 31 December 2011, the A-shares and B-shares of the listed associate were listed on the Shenzhen Stock Exchange. On 19 December 2012, its B-shares were converted into H-shares, which were listed on the Hong Kong Stock Exchange by way of introduction. As at 31 December 2012, the A-shares and H-shares of the associate were listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange respectively.

(b) The carrying amount of goodwill on acquisitions of associates mainly represented the goodwill on acquisition of equity interests in certain terminal companies. The movement during the year was mainly resulted from currency translation differences.

(c) The loans to associates are equity in nature, unsecured, interest free and not repayable within twelve months.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates:

	Total assets	Total liabilities	Non-controlling interests	Revenues	Profits less losses after income tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2012	**32,403,390**	**(20,821,060)**	**(912,795)**	**3,015,952**	**1,000,486**
31 December 2011	35,080,448	(23,365,369)	(1,621,372)	16,242,709	1,345,241

(e) The Company had no directly owned associate as at 31 December 2012 and 2011. Details of the principal associates as at 31 December 2012 are shown in note 40(c).

13 Loans to a jointly controlled entity and an associate

	Group 2012	2011
	RMB'000	RMB'000
Loan to a jointly controlled entity (note a)	**33,164**	—
Loan to an associate (note b)	**192,982**	182,285
	226,146	182,285

Notes:

(a) As at 31 December 2012, the loan to a jointly controlled entity is secured, bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate and wholly repayable on or before December 2016.

(b) The loan to an associate is unsecured, bears interest at 2% (2011: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment.

14 Available-for-sale financial assets

	Group 2012 RMB'000	Group 2011 RMB'000
As at 1 January	**481,725**	634,607
Additions	**—**	55,405
Disposals	**(1,926)**	(7,545)
Net fair value gains/(losses) recognised in equity	**19,502**	(193,943)
Currency translation differences	**(180)**	(6,799)
As at 31 December	**499,121**	481,725
Available-for-sale financial assets represent the following:		
Listed investments in the PRC (note a)	**206,929**	237,904
Unlisted investments (note b)	**292,192**	243,821
	499,121	481,725

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in the management of international and domestic transportation.

(b) Unlisted investments mainly comprise equity interests in entities which are involved in container terminal operations in Tianjin of Mainland China.

(c) Available-for-sale financial assets are denominated in the following currencies:

	2012 RMB'000	2011 RMB'000
RMB	**492,368**	444,455
Korean WON	**6,753**	37,270
	499,121	481,725

15 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 12.5% to 46% for the year (2011: 12% to 46%).

The movement on the net deferred tax assets/(liabilities) is as follows:

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	(1,986,280)	(1,466,600)	13,809	33,768
Currency translation differences	751	11,725	—	—
Charged to consolidated income statement (note 29)	(193,899)	(566,390)	(3,692)	(19,959)
Credited to other comprehensive income (note 29(c))	113	34,985	—	—
As at 31 December	(2,179,315)	(1,986,280)	10,117	13,809

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, the Group had tax losses of RMB31,238,716,000 (2011: RMB25,988,177,000) to carry forward, which were not recognised as deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB30,995,854,000 (2011: RMB25,781,661,000) will expire through year 2017.

As at 31 December 2012, the unrecognised deferred income tax liabilities were RMB1,814,277,000 (2011: RMB3,071,686,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2012 amounted to RMB8,100,926,000 (2011: RMB13,053,312,000).

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

15 Deferred income tax assets/(liabilities) (Continued)

Group

Deferred income tax liabilities

	Undistributed profits of subsidiaries, associates and jointly controlled entities	Accelerated tax depreciation	Fair value gain	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011	(2,974,689)	(313,848)	(73,629)	(168,623)	(3,530,789)
Currency translation differences	10,845	4,476	(1,609)	159	13,871
Credited/(charged) to consolidated income statement	1,110,003	(122,708)	–	5,056	992,351
Credited to other comprehensive income	–	–	34,985	–	34,985
As at 31 December 2011 and 1 January 2012	(1,853,841)	(432,080)	(40,253)	(163,408)	(2,489,582)
Currency translation differences	(2,075)	2,759	–	(37)	647
(Charged)/credited to consolidated income statement	(121,461)	177,703	–	14,984	71,226
Credited to other comprehensive income	–	–	113	–	113
As at 31 December 2012	**(1,977,377)**	**(251,618)**	**(40,140)**	**(148,461)**	**(2,417,596)**

Deferred income tax assets

	Tax loss	Staff benefit	Accelerated accounting depreciation	Onerous contracts	Accruals	Fair value loss	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011	1,174,265	262,729	167,808	209,989	145,399	15,256	88,743	2,064,189
Currency translation differences	(282)	(343)	(127)	–	–	–	(1,394)	(2,146)
(Charged)/credited to consolidated income statement	(1,156,879)	(21,081)	(17,189)	(209,063)	(145,399)	(15,256)	6,126	(1,558,741)
As at 31 December 2011 and 1 January 2012	17,104	241,305	150,492	926	–	–	93,475	503,302
Currency translation differences	(10)	–	–	–	–	–	114	104
(Charged)/credited to consolidated income statement	(11,210)	(183,525)	(20,057)	975	–	–	(51,308)	(265,125)
As at 31 December 2012	**5,884**	**57,780**	**130,435**	**1,901**	**–**	**–**	**42,281**	**238,281**

15 Deferred income tax assets/(liabilities) (Continued)

Company

Deferred income tax assets

	Staff benefit RMB'000
As at 1 January 2011	33,768
Charged to income statement	(19,959)
As at 31 December 2011 and 1 January 2012	13,809
Charged to income statement	(3,692)
As at 31 December 2012	**10,117**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2012 RMB'000	2011 RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**203,885**	461,371
Deferred income tax assets to be recovered within 12 months	**34,396**	41,931
	238,281	503,302
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(2,145,222)**	(2,228,252)
Deferred income tax liabilities to be settled within 12 months	**(272,374)**	(261,330)
	(2,417,596)	(2,489,582)
Deferred income tax liabilities (net)	**(2,179,315)**	(1,986,280)

16 Other non-current assets

	Group 2012 RMB'000	Group 2011 RMB'000
Prepaid operating lease payments (note a)	**464,127**	382,263
Financial lease receivables	**103,227**	116,829
Prepayment for loan arrangement fee and other related costs	**–**	22,368
	567,354	521,460
Less: current portion of financial lease receivables	**(13,298)**	(14,072)
	554,056	507,388

Note:

(a) Prepaid operating lease payments

The amount represents the unamortised upfront concession fee payments in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years ("Concession"). The Concession commenced on 1 October 2009.

17 Bank deposits and cash and cash equivalents

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Non-current portion				
Restricted bank deposits (note a)	**71,280**	417,108	**–**	–
Current portion				
Restricted bank deposits (note a)	**428,175**	510,432	**–**	–
Balances placed with COSCO Finance Co., Ltd ("COSCO Finance") (note b)	**8,602,829**	11,561,455	**1,127,679**	832,236
Bank balances and cash – unpledged	**37,733,964**	35,401,270	**4,801,626**	6,091,009
	46,764,968	47,473,157	**5,929,305**	6,923,245
Total bank deposits and cash and cash equivalents (note c)	**46,836,248**	47,890,265	**5,929,305**	6,923,245
Less: restricted bank deposits	**(499,455)**	(927,540)	**–**	–
Cash and cash equivalents	**46,336,793**	46,962,725	**5,929,305**	6,923,245

17 Bank deposits and cash and cash equivalents (Continued)

Notes:

(a) Restricted bank deposits mainly held as security for borrowings and bank guarantees and facilities (note 22(i)).

(b) Balances placed with COSCO Finance bear interest at prevailing market rates.

(c) The carrying amounts of bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
US dollar	**18,231,311**	14,412,423	**14,491**	14,844
RMB	**26,247,918**	31,861,412	**5,656,491**	6,654,043
EURO	**616,527**	557,791	**—**	—
HK dollar	**990,915**	572,005	**258,323**	254,358
Other currencies	**749,577**	486,634	**—**	—
	46,836,248	47,890,265	**5,929,305**	6,923,245

(d) Time deposits placed with PRC banks and COSCO Finance with original maturities over three months amounting to RMB15,806,085,000 (2011: RMB12,846,747,000) were treated as cash and cash equivalents as Directors consider those deposits are subject to an insignificant risk of changes in value and are kept for cash management purpose.

(e) The effective interest rates on time deposits as at 31 December 2012 were in the range of 0.06%-7.5% per annum (2011: 0.05% to 5.43% per annum); these deposits have a maturity in the range of 2 days to 730 days (2011: 2 days to 730 days). The deposits earn interests at floating rates based on prevailing market rates.

18 Inventories

	Group	
	2012	2011
	RMB'000	RMB'000
Bunkers	**2,346,078**	2,190,106
Spare parts and consumable stores	**204,909**	150,911
Merchandises	**98,159**	959,607
Resaleable containers	**43,857**	58,798
Marine supplies and others	**38,401**	27,610
	2,731,404	3,387,032

19 Trade and other receivables

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note a)				
– third parties	**8,469,497**	5,749,772	**–**	–
– fellow subsidiaries	**135,775**	111,897	**–**	–
– jointly controlled entities	**24,081**	27,245	**–**	–
– associates	**9,858**	14,289	**–**	–
– other related companies	**51,196**	49,463	**–**	–
	8,690,407	5,952,666	**–**	–
Bills receivables (note a)	**260,372**	361,280	**–**	–
	8,950,779	6,313,946	**–**	–
Prepayments, deposits and other receivables				
– third parties (note b)	**3,780,505**	4,473,429	**13,698**	15,011
– fellow subsidiaries (note d)	**325,705**	286,287	**–**	–
– jointly controlled entities (note d)	**250,071**	402,109	**–**	–
– associates (note d)	**105,834**	259,687	**–**	–
– other related companies (note d)	**137,356**	149,385	**–**	–
	4,599,471	5,570,897	**13,698**	15,011
Current portion of financial lease receivables	**13,298**	14,072	**–**	–
Total	**13,563,548**	11,898,915	**13,698**	15,011

19 Trade and other receivables (Continued)

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of shipping and logistics business receivables. As at 31 December 2012, the ageing analysis of trade and bills receivables is as follows:

	2012 RMB'000	2011 RMB'000
1-3 months	**8,642,215**	5,907,524
4-6 months	**358,783**	321,360
7-12 months	**86,723**	66,673
Over 1 year	**158,431**	176,945
Trade and bills receivables, gross	**9,246,152**	6,472,502
Less: impairment of		
1-3 months	**(162,936)**	(29,700)
4-6 months	**(2,521)**	(1,877)
7-12 months	**(8,922)**	(9,229)
Over 1 year	**(120,994)**	(117,750)
Provision for impairment	**(295,373)**	(158,556)
	8,950,779	6,313,946

As at 31 December 2012, the Group's trade and bills receivables of RMB6,860,329,000 (2011:RMB5,298,014,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

As at 31 December 2012, trade receivables of RMB1,179,999,000 (2011: RMB814,425,000) were past due but were considered not impaired by management. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 RMB'000	2011 RMB'000
1-3 months	**952,750**	579,810
4-6 months	**205,633**	195,712
7-12 months	**9,457**	8,407
Over 1 year	**12,159**	30,496
	1,179,999	814,425

As at 31 December 2012, part of the trade receivables of RMB1,205,824,000 (2011: RMB360,063,000) were considered as impaired by management, of which amounts of RMB295,373,000 (2011: RMB158,556,000) were provided for.

19 Trade and other receivables (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2012 RMB'000	2011 RMB'000
As at 1 January	**158,556**	184,500
Provision for receivable impairment	**162,405**	24,563
Receivables written off during the year as uncollectible	**(10,211)**	(24,983)
Reversal of provision	**(16,593)**	(24,029)
Currency translation differences	**1,216**	(1,495)
As at 31 December	**295,373**	158,556

The creation and release of provision for impaired receivables have been included in the consolidated income statement (note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(b) Prepayments, deposits and other receivables due from third parties

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Prepayments and deposits	**2,416,702**	2,670,126	**–**	–
Claims receivables	**205,804**	157,538	**–**	–
Other receivables less provision (note c)	**1,157,999**	1,645,765	**13,698**	15,011
	3,780,505	4,473,429	**13,698**	15,011

(c) As at 31 December 2012, the Group's net other receivables of RMB1,157,999,000 (2011: RMB1,645,765,000) were considered fully collectible by management. As at 31 December 2012, the Group's other receivables of RMB273,935,000 (2011: RMB253,731,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2012 RMB'000	2011 RMB'000
As at 1 January	**253,731**	153,795
Provision for receivable impairment	**26,342**	126,488
Receivables written off during the year as uncollectible	**(197)**	(17,251)
Reversal of provision	**(6,576)**	(9,301)
Currency translation differences	**635**	–
As at 31 December	**273,935**	253,731

(d) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

19 Trade and other receivables (Continued)

(e) The carrying amount of trade and other receivables (excluding prepayments and deposits) are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
US dollar	**3,786,192**	3,657,246	**–**	–
RMB	**5,872,354**	4,410,745	**11,408**	13,122
EURO	**697,541**	505,644	**–**	–
HK dollar	**199,382**	171,614	**2,290**	1,889
Other currencies	**591,377**	483,540	**–**	–
	11,146,846	9,228,789	**13,698**	15,011

(f) The carrying amounts of trade and other receivables (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 Share capital and equity linked benefits

(a) Share capital

	2012		2011	
	Number of shares (thousands)	**Nominal value RMB'000**	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	7,635,674	7,635,674
As at 31 December	**10,216,274**	**10,216,274**	10,216,274	10,216,274

As at 31 December 2012, the A-Shares rank pari passu, in all material respects, with H-Shares.

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's board of Directors (collectively the "Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's board of Directors.

Movements in the number of SARs granted by the Company during the year ended 31 December 2012 and 2011 are set out below.

			For the year ended 31 December 2012 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2012
16 December 2005 ("2005 SARs")	between 16 December 2007 to 15 December 2015	HK$3.195	**15,267,000**	**–**	**–**	**(56,250)**	**15,210,750**
5 October 2006 ("2006 SARs")	between 5 October 2008 to 4 October 2016	HK$3.588	**19,135,000**	**–**	**–**	**(65,000)**	**19,070,000**
4 June 2007 ("2007 SARs")	between 4 June 2009 to 3 June 2017	HK$9.540	**24,350,000**	**–**	**–**	**(50,000)**	**24,300,000**
			58,752,000	**–**	**–**	**(171,250)**	**58,580,750**

			For the year ended 31 December 2011 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011
16 December 2005 ("2005 SARs")	between 16 December 2007 to 15 December 2015	HK$3.195	15,267,000	–	–	–	15,267,000
5 October 2006 ("2006 SARs")	between 5 October 2008 to 4 October 2016	HK$3.588	19,135,000	–	–	–	19,135,000
4 June 2007 ("2007 SARs")	between 4 June 2009 to 3 June 2017	HK$9.540	24,400,000	–	–	(50,000)	24,350,000
			58,802,000	–	–	(50,000)	58,752,000

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

The fair values of 2005 SARs, 2006 SARs and 2007 SARs as at 31 December 2012 as determined using the binomial valuation model ranged from HK$0.9 per unit to HK$1.42 per unit (2011: HK$1.39 per unit to HK$2.21 per unit). The significant inputs into the model were spot price of HK$3.8 as at 31 December 2012, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 44.14%, 48.30% and 63.35% for 2005 SARs, 2006 SARs and 2007 SARs respectively (2011: 70.75%, 74.37% and 71.67% respectively) are estimated based on past H-Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SARs transactions, was a credit of RMB30,914,000 (2011: RMB166,622,000).

As at 31 December 2012, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB76,770,000 (2011: RMB107,684,000) and the total intrinsic value of the exercisable SARs was RMB10,739,000 (2011: RMB11,335,000).

(c) Share options of a subsidiary

The Group's subsidiary, COSCO Pacific, operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. All the outstanding options were vested and exercisable as at 31 December 2012 and 2011. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2012 and 2011 are set out below:

			For the year ended 31 December 2012 Number of share options				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2012
During the period from 28 October 2003 to 6 November 2003	Note (i)	HK$9.54	2,361,000	–	–	(130,000)	2,231,000
During the period from 25 November 2004 to 16 December 2004	Note (ii)	HK$13.75	21,042,000	–	–	(7,464,000)	13,578,000
During the period from 17 April 2007 to 19 April 2007	Note (iii)	HK$19.30	14,700,000	–	–	(1,240,000)	13,460,000
			38,103,000	–	–	(8,834,000)	29,269,000

20 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

			For the year ended 31 December 2011 Number of share options				
Date of grant	Exercisable period	Exercise price	Outstanding as at January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011
During the period from 28 October 2003 to 6 November 2003	Note (i)	HK$9.54	2,369,000	–	(8,000)	–	2,361,000
During the period from 25 November 2004 to 16 December 2004	Note (ii)	HK$13.75	21,812,000	–	(250,000)	(520,000)	21,042,000
During the period from 17 April 2007 to 19 April 2007	Note (iii)	HK$19.30	15,260,000	–	–	(560,000)	14,700,000
			39,441,000	–	(258,000)	(1,080,000)	38,103,000

Notes:

(i) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28 October 2003 to 6 November 2003. The share options will be expired during the period from 28 October 2013 to 6 November 2013.

(ii) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25 November 2004 to 16 December 2004. The share options will be expired during the period from 25 November 2014 to 16 December 2014.

(iii) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007. The share options will be expired during the period 17 April 2017 to 19 April 2017.

(iv) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012 Average exercise price per share HK$	**Number of share options**	2011 Average exercise price per share HK$	Number of share options
As at 1 January	**15.63**	**38,103,000**	15.64	39,441,000
Exercised	**–**	**–**	13.62	(258,000)
Lapsed	**15.42**	**(2,134,000)**	16.63	(1,080,000)
Cancelled	**14.16**	**(6,700,000)**	–	–
As at 31 December	**15.98**	**29,269,000**	15.63	38,103,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised in 2011 was HK$15.26 per share.

Notes to the Consolidated Financial Statements

21 Reserves

Group

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2012	39,050,126	2,203	(443,953)	648,417	(67,757)	(6,800,893)	(7,909,131)	24,479,012
Comprehensive income/(loss)								
Loss for the year	–	–	–	–	–	–	(9,559,164)	(9,559,164)
Other comprehensive income/(loss)								
Available-for-sale financial assets – fair value losses, net of tax	–	–	–	–	(6,883)	–	–	(6,883)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	–	(40)	18,293	–	30,893	(13,475)	–	35,671
Currency translation differences	–	–	–	–	–	(29,854)	–	(29,854)
Total other comprehensive income	–	(40)	18,293	–	24,010	(43,329)	–	(1,066)
Total comprehensive income/(loss) for the year ended 31 December 2012	–	(40)	18,293	–	24,010	(43,329)	(9,559,164)	(9,560,230)
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on settlement of scrip dividend of a subsidiary (note 35(b))	–	(60)	26,812	–	(400)	6,612	(20,743)	12,221
Acquisition of additional interest in subsidiaries	–	–	(10,149)	–	–	–	–	(10,149)
Others	–	–	33	–	–	–	(275)	(242)
Total contributions by and distributions to owners of the Company	–	(60)	16,696	–	(400)	6,612	(21,018)	1,830
As at 31 December 2012	39,050,126	2,103	(408,964)	648,417	(44,147)	(6,837,610)	(17,489,313)	14,920,612

21 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2011	39,050,126	3,369	(445,499)	648,417	100,618	(5,359,415)	3,615,069	37,612,685
Comprehensive income/(loss)								
Loss for the year	–	–	–	–	–	–	(10,495,295)	(10,495,295)
Other comprehensive income/(loss)								
Available-for-sale financial assets – fair value losses, net of tax	–	–	–	–	(119,703)	–	–	(119,703)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	–	(1,166)	13,400	–	(48,672)	(364)	(1,803)	(38,605)
Release of reserves upon disposal of a jointly controlled entity	–	–	(8,082)	–	–	(14,833)	3,803	(19,112)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary (note 35 (b))	–	–	–	–	–	(33,095)	–	(33,095)
Currency translation differences	–	–	–	–	–	(1,393,186)	–	(1,393,186)
Total other comprehensive income	–	(1,166)	5,318	–	(168,375)	(1,441,478)	2,000	(1,603,701)
Total comprehensive income/(loss) for the year ended 31 December 2011	–	(1,166)	5,318	–	(168,375)	(1,441,478)	(10,493,295)	(12,098,996)
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on exercising of share options of a subsidiary	–	–	–	–	–	–	359	359
Distributions	–	–	–	–	–	–	(90,800)	(90,800)
2010 final dividend	–	–	–	–	–	–	(919,465)	(919,465)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(20,999)	(20,999)
Others	–	–	(3,772)	–	–	–	–	(3,772)
Total contributions by and distributions to owners of the Company	–	–	(3,772)	–	–	–	(1,030,905)	(1,034,677)
As at 31 December 2011	39,050,126	2,203	(443,953)	648,417	(67,757)	(6,800,893)	(7,909,131)	24,479,012

21 Reserves (Continued)

Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2012	**39,134,574**	**648,417**	**1,908,453**	**(3,342,792)**	**38,348,652**
Loss for the year	**–**	**–**	**(590,882)**	**–**	**(590,882)**
As at 31 December 2012	**39,134,574**	**648,417**	**1,317,571**	**(3,342,792)**	**37,757,770**

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2011	39,134,574	648,417	2,852,794	(3,342,792)	39,292,993
Loss for the year	–	–	(24,876)	–	(24,876)
2010 final dividends	–	–	(919,465)	–	(919,465)
As at 31 December 2011	39,134,574	648,417	1,908,453	(3,342,792)	38,348,652

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2012 represented capital reserve and other reserves of jointly controlled entities and associates.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

22 Long-term borrowings

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Bank loans				
– secured (note i)	**17,020,294**	14,687,934	**–**	–
– unsecured	**43,039,602**	37,483,896	**–**	–
Loans from COSCO Finance				
– secured (note i)	**8,381**	17,040	**–**	–
– unsecured	**125,710**	126,018	**–**	–
Other loans				
– unsecured	**95**	294	**–**	–
Finance lease obligations	**86,336**	98,585	**–**	–
Notes (note c)	**26,905,564**	20,691,819	**18,773,318**	18,716,229
Loans from non-controlling shareholders of subsidiaries (note d)	**765,032**	1,069,966	**–**	–
Total long-term borrowings	**87,951,014**	74,175,552	**18,773,318**	18,716,229
Current portion of long-term borrowings	**(8,865,186)**	(18,861,850)	**–**	–
	79,085,828	55,313,702	**18,773,318**	18,716,229

Notes:

(a) The long-term borrowings are analysed as follows:

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Wholly repayable within five years				
– Bank loans	**47,153,572**	40,685,671	**–**	–
– Loans from COSCO Finance	**134,091**	143,058	**–**	–
– Other loans	**95**	294	**–**	–
– Notes	**11,914,997**	11,905,590	**9,960,000**	9,930,000
– Finance lease obligations	**86,336**	98,585	**–**	–
– Loans from non-controlling shareholders of subsidiaries	**765,032**	1,069,966	**–**	–
	60,054,123	53,903,164	**9,960,000**	9,930,000
Not wholly repayable within five years				
– Bank loans	**12,906,324**	11,486,159	**–**	–
– Notes	**14,990,567**	8,786,229	**8,813,318**	8,786,229
	27,896,891	20,272,388	**8,813,318**	8,786,229
	87,951,014	74,175,552	**18,773,318**	18,716,229

22 Long-term borrowings (Continued)

(b) As at 31 December 2012, the long-term borrowings were repayable as follows:

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– within one year	6,762,993	18,841,003	–	–
– in the second year	18,896,162	8,507,483	–	–
– in the third to fifth years	24,892,444	16,223,255	–	–
– after the fifth year	9,508,297	8,600,089	–	–
	60,059,896	52,171,830	–	–
Loans from COSCO Finance				
– within one year	134,091	8,512	–	–
– in the second year	–	134,546	–	–
	134,091	143,058	–	–
Other loans				
– within one year	95	294	–	–
Finance lease obligations				
– within one year	13,010	12,041	–	–
– in the second year	14,090	13,037	–	–
– in the third to fifth years	59,236	73,507	–	–
	86,336	98,585	–	–
Notes				
– within one year	1,954,997	–	–	–
– in the second year	9,960,000	1,975,590	9,960,000	–
– in the third to fifth years	–	9,930,000	–	9,930,000
– after the fifth year	14,990,567	8,786,229	8,813,318	8,786,229
	26,905,564	20,691,819	18,773,318	18,716,229
Loans from non-controlling shareholders of subsidiaries				
– in the second year	765,032	619,964	–	–
– in the third to fifth years	–	450,002	–	–
	765,032	1,069,966	–	–
	87,951,014	74,175,552	18,773,318	18,716,229

22 Long-term borrowings (Continued)

(c) Details of the notes as at 31 December 2012 are as follows:

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Principal amount	27,773,900	21,483,100	19,000,000	19,000,000
Discount on issue	(93,346)	(15,718)	–	–
Notes issuance cost	(431,244)	(399,790)	(384,891)	(384,891)
Proceeds received	27,249,310	21,067,592	18,615,109	18,615,109
Currency translation differences	(595,293)	(585,521)	–	–
Accumulated amortised amounts of				
– discount on issue	11,803	10,352	–	–
– notes issuance cost	169,101	110,931	158,209	101,120
Effect of fair value hedge	70,643	88,465	–	–
	26,905,564	20,691,819	18,773,318	18,716,229

(i) Notes issued by the Company

Notes with principal amount of RMB10,000,000,000 , RMB5,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 3.77%, 4.35% and 5.45% per annum, were issued by the Company to investors on 21 April 2009, 3 September 2010 and 29 November 2011 respectively at a price equal to the principal amount. The interest is payable annually in arrears and these notes will mature at their principal amount on 22 April 2014, 6 September 2020 and 30 November 2018 respectively.

(ii) Notes issued by subsidiaries

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB1,954,997,000) were issued by a subsidiary of COSCO Pacific to investors on 3 October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000 (equivalent to approximately RMB15,718,000). The notes bore interest from 3 October 2003, payable semi-annually in arrears. The notes were guaranteed unconditionally and irrevocably by COSCO Pacific and listed on Singapore Exchange Securities Trading Limited. Unless previously redeemed or repurchased by COSCO Pacific, the notes will mature on 3 October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of COSCO Pacific at any time in the event of certain changes affecting the taxes of certain jurisdictions.

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,285,500,000). The bonds carried a fixed interest yield of 4% per annum and were issued at a price of 98.766 per cent of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The Bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited. Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

22 Long-term borrowings (Continued)

(d) Loans from non-controlling shareholders of subsidiaries are unsecured. Balances of RMB400,000,000 bear interest at 6.77% per annum and repayable in 2014. Balances of US$8,075,000 (equivalent to approximately RMB50,755,000) bear interest at 0.6% per annum above US dollar LIBOR and repayable in 2014. Balance of US$50,000,000 (equivalent to approximately RMB314,277,000) is interest free and and not repayable next twelve months. Balances of US$49,135,000 (equivalent to approximately RMB308,838,000) bear interest at 0.6% per annum above US dollar LIBOR and are reclassified as current as they will be repayable in 2013.

(e) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2012				
Total borrowings	**57,977,627**	**14,688,424**	**15,284,963**	**87,951,014**
Effect of interest rate swaps	**—**	**(1,257,100)**	**—**	**(1,257,100)**
	57,977,627	**13,431,324**	**15,284,963**	**86,693,914**
As at 31 December 2011				
Total borrowings	51,867,347	13,212,579	9,095,626	74,175,552
Effect of interest rate swaps	—	(1,260,180)	—	(1,260,180)
	51,867,347	11,952,399	9,095,626	72,915,372

(f) The effective interest rates per annum of the long-term borrowings as at 31 December 2012 were as follows:

	2012			
	US dollar	RMB	EURO	SGD
Bank loans	**0.6% to 4.3%**	**3.3% to 7.2%**	**2.6%**	**2.3%**
Loans from COSCO Finance	**1.5%**	**5.4% to 5.5%**	**—**	**—**
Other loans	**—**	**—**	**—**	**2.5% to 4.3%**
Finance lease obligations	**8.3%**	**—**	**—**	**—**
Notes	**5.9%**	**3.8% to 5.5%**	**—**	**—**
Bonds	**4.0%**	**—**	**—**	**—**
Loans from non-controlling shareholders of subsidiaries	**1.4%**	**6.8%**	**—**	**—**

22 Long-term borrowings (Continued)

	2011 US dollar	2011 RMB	2011 EURO	2011 SGD
Bank loans	0.9% to 3.3%	3.2% to 7.7%	2.6%	2.3%
Loans from COSCO Finance	—	5.4% to 6.2%	—	—
Other loans	—	—	1.5%	2.5% to 4.3%
Finance lease obligations	8.3%	—	—	—
Notes	5.9%	3.8% to 5.5%	—	—
Loans from non-controlling shareholders of subsidiaries	1.4%	6.8%	—	—

(g) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans	**60,059,896**	52,171,830	**60,039,636**	52,136,366
Loans from COSCO Finance	**134,091**	143,058	**134,091**	143,058
Other loans	**95**	294	**95**	294
Finance lease obligations	**86,336**	98,585	**86,336**	98,585
Notes	**26,905,564**	20,691,819	**27,024,559**	20,441,713
Loans from non-controlling shareholders of subsidiaries	**765,032**	1,069,966	**765,032**	1,069,966
	87,951,014	74,175,552	**88,049,749**	73,889,982

The fair values are based on cash flows discounted by respective rates as set out in note 22(f) above.

(h) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2012	2011
	RMB'000	RMB'000
US dollar	**60,998,543**	47,377,547
RMB	**25,708,719**	25,974,267
EURO	**1,243,630**	823,597
SGD	**122**	141
	87,951,014	74,175,552

22 Long-term borrowings (Continued)

(i) The secured bank loans and loans from COSCO Finance as at 31 December 2012 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB28,380,747,000 (2011: RMB22,846,932,000) (notes 6(b) and 6(c));

(ii) Two vessels with aggregate net book value of RMB660,789,000 (2011: RMB691,189,000) under Vessel Financing Lease Arrangements (note 6(d));

(iii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels; and

(iv) Shares of certain subsidiaries;

(v) Bank accounts of certain subsidiaries (note 17(a)).

23 Provisions and other liabilities

Group

	Retirement benefit obligations RMB'000 (note a)	Provision for onerous contracts RMB'000 (notes b, 4(iii))	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
For the year ended 31 December 2012					
As at 1 January 2012	**1,311,865**	**1,414,780**	**186,704**	**49,781**	**2,963,130**
Decrease during the year	**(208,505)**	**(1,349,122)**	**(6,837)**	**(7,080)**	**(1,571,544)**
Provisions for the year	**74,602**	**1,372,227**	**4,044**	**47,920**	**1,498,793**
Currency translation differences	**(50)**	**(4,163)**	**–**	**(155)**	**(4,368)**
As at 31 December 2012	**1,177,912**	**1,433,722**	**183,911**	**90,466**	**2,886,011**
Less: current portion of provisions and other liabilities	**(176,064)**	**(1,102,972)**	**–**	**(13,291)**	**(1,292,327)**
Non-current portion of provisions and other liabilities	**1,001,848**	**330,750**	**183,911**	**77,175**	**1,593,684**
For the year ended 31 December 2011					
As at 1 January 2011	1,161,867	1,171,623	191,487	42,219	2,567,196
Decrease during the year	(188,984)	(1,163,975)	(10,682)	(6,200)	(1,369,841)
Provisions for the year	340,416	1,426,411	5,899	14,869	1,787,595
Currency translation differences	(1,434)	(19,279)	–	(1,107)	(21,820)
As at 31 December 2011	1,311,865	1,414,780	186,704	49,781	2,963,130
Less: current portion of provisions and other liabilities	(211,309)	(1,348,448)	–	(790)	(1,560,547)
Non-current portion of provisions and other liabilities	1,100,556	66,332	186,704	48,991	1,402,583

23 Provisions and other liabilities (Continued)

Notes:

(a) Retirement benefit obligations

	Group	
	2012	2011
	RMB'000	RMB'000
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	**23,821**	26,700
Early-retirement benefits for PRC employees (note (ii))	**328,418**	415,368
Post-retirement benefits for PRC employees (note (ii))	**825,673**	869,797
	1,177,912	1,311,865
Expensed in income statement for (note 33):		
Early-retirement benefits for PRC employees (note (ii))	**19,973**	(37,488)
Post-retirement benefits for PRC employees (note (ii))	**54,629**	377,904
	74,602	340,416

(i) Multi-employer defined benefit plan

As the actuary is unable to provide sufficient information to the Group's proportional share of the defined benefit obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer defined benefit plan has been accounted for as a defined contribution plan.

(ii) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by management of the Group, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2012 totalled RMB1,154,091,000 (2011: RMB1,285,165,000).

23 Provisions and other liabilities (Continued)

(a) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees (Continued)

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2012			2011		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	415,368	869,797	1,285,165	582,052	548,974	1,131,026
Amounts charged to the consolidated income statement	19,973	54,629	74,602	(37,488)	377,904	340,416
Benefits paid	(106,923)	(98,753)	(205,676)	(129,196)	(57,081)	(186,277)
As at 31 December	328,418	825,673	1,154,091	415,368	869,797	1,285,165

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2012			2011		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	11,528	21,157	32,685	16,957	20,491	37,448
Past service costs	46,440	10,591	57,031	(31,040)	328,711	297,671
Actuarial (gain)/loss	(37,995)	22,881	(15,114)	(23,405)	28,702	5,297
	19,973	54,629	74,602	(37,488)	377,904	340,416

The principal actuarial assumptions used were as follows:

	2012		2011	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	3.1% - 3.2%	4.0% - 4.08%	2.9% - 3.2%	3.9% - 4.0%
Pension benefits inflation rates	0% -10%	0% - 4.8%	0% - 10%	0% - 4.8%

23 Provisions and other liabilities (Continued)

(b) Provision for onerous contracts

As at 31 December 2012, the Group had a provision of RMB1,433,722,000 (2011: RMB1,414,780,000) for onerous contracts relating to the non-cancellable chartered-in dry bulk vessel contracts.

As at 31 December 2012, the committed charterhire expenses of non-cancellable chartered-in dry bulk vessel contracts with lease term expiring over 12 months from the balance sheet date and with period not being covered by chartered-out dry bulk vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB15,817,804,000 (2011: RMB23,655,068,000).

24 Trade and other payables

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note a)				
– third parties	**6,632,112**	5,751,287	**—**	—
– fellow subsidiaries	**1,320,173**	1,351,055	**—**	—
– jointly controlled entities	**177,520**	120,686	**—**	—
– associates	**3,587**	4,105	**—**	—
– other related companies	**13,751**	29,183	**—**	—
	8,147,143	7,256,316	**—**	—
Bills payables (note a)	**1,741,482**	1,382,349	**—**	—
	9,888,625	8,638,665	**—**	—
Advances from customers	**2,011,647**	3,332,678	**—**	—
Other payables and accruals (note b)	**11,106,742**	11,110,346	**563,302**	580,063
Construction payable to fellow subsidiaries (note d)	**89,357**	269,174	**—**	—
Due to related companies (note e)				
– COSCO	**—**	2,379	**—**	—
– fellow subsidiaries	**181,843**	116,776	**—**	—
– jointly controlled entities	**217,636**	213,457	**12,819**	5,797
– associates	**22,828**	34,794	**—**	5,720
– other related companies	**694,655**	80,656	**—**	—
	1,116,962	448,062	**12,819**	11,517
Total	**24,213,333**	23,798,925	**576,121**	591,580

24 Trade and other payables (Continued)

Notes:

(a) As at 31 December 2012, the ageing analysis of trade and bills payables is as follows:

	2012 RMB'000	2011 RMB'000
1-6 months	**9,317,094**	8,070,837
7-12 months	**190,083**	184,927
1-2 years	**201,247**	187,808
2-3 years	**69,723**	122,289
Above 3 years	**110,478**	72,804
	9,888,625	8,638,665

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) Other payables and accruals

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Salary and welfare payables	**1,647,715**	1,966,947	**66,582**	79,996
Accruals for voyages costs	**2,291,355**	2,483,845	**–**	–
Accruals for vessel costs	**2,277,927**	2,897,446	**–**	–
Interest payables	**503,448**	444,192	**352,219**	350,590
Others	**4,386,297**	3,317,916	**144,501**	149,477
	11,106,742	11,110,346	**563,302**	580,063

(c) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2012 RMB'000	2011 RMB'000
US dollar	**9,245,671**	7,963,020
RMB	**11,784,213**	10,779,938
EURO	**350,614**	594,509
HK dollar	**76,521**	235,588
Other currencies	**744,667**	893,192
Total	**22,201,686**	20,466,247

24 Trade and other payables (Continued)

(d) As at 31 December 2012, the balance represents the outstanding payable to COSCO (Dalian) Shipyard Co., Ltd. ("COSCO Dalian") in relation to the construction costs payable for one dry bulk vessel (31 December 2011: to COSCO Dalian and COSCO (Zhoushan) Shipyard Co., Ltd. for three dry bulk vessels). The balances are unsecured, interest fee and payable within one year. As at 31 December 2011, amount of RMB89,576,000 was payable in the second year after the delivery of vessels and was classified as other non-current liabilities.

(e) The amounts due to related companies are unsecured and interest free and have no fixed term of repayment.

(f) The carrying amounts of trade and other payables (excluding advances from customers) approximate their fair values.

25 Short-term borrowings

	Group	
	2012	2011
	RMB'000	RMB'000
Bank loans – unsecured	**5,033,237**	2,730,888
Other loan – unsecured	**–**	50,000
COSCO Finance – unsecured	**220,000**	70,000
	5,253,237	2,850,888

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2012 were in the range of 1.50% to 7.22% (2011: 1.10% to 7.22%) per annum.

(b) The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts of the short-term borrowings are denominated in the following currencies:

	2012	2011
	RMB'000	RMB'000
US dollar	**4,511,215**	1,512,887
RMB	**742,022**	1,338,001
	5,253,237	2,850,888

26 Other (expenses)/income, net

	2012 RMB'000	2011 RMB'000
Dividend income from listed and unlisted investments	**17,905**	20,273
Government subsidies	**903,622**	374,431
Gain/(loss) on disposal of property, plant and equipment, net		
– container vessels	**59,196**	4,662
– dry bulk vessels	**82,312**	161,336
– containers	**(2,360)**	(16,317)
– others	**8,756**	17,917
Gain on disposal of a subsidiary	**–**	5
Loss on disposal of available-for-sale financial assets	**–**	(464)
Gain on disposal of jointly controlled entities and associates	**13**	83,202
Gain on release of exchange reserve upon conversion from a jointly controlled entity to a subsidiary	**–**	76,474
Net loss on derivatives at fair value through profit or loss		
– FFA	**–**	(4,838)
Reversal of provision for impairment of trade and other receivables	**23,169**	33,330
Provision for impairment of trade and other receivables	**(188,747)**	(151,051)
Net exchange gain/(loss)	**26,940**	(439,866)
Compensation expense	**(1,084,099)**	(416,191)
Compensation income	**66,300**	292,637
Donations	**(6,884)**	(11,355)
Gain on fair value change on share appreciation rights	**29,064**	130,452
Others	**(1,399)**	38,027
Total	**(66,212)**	192,664

27 Expenses by nature

	2012 RMB'000	2011 RMB'000
Cost of services and inventories sold (note a)		
Container shipping and dry bulk shipping costs		
– Equipment and cargo transportation costs	16,824,773	15,402,798
– Voyage costs (note b)	22,772,489	21,259,071
– Vessel costs (note c)	19,510,819	24,877,403
– Provision for onerous contracts for the year	1,372,227	1,426,411
– Others	834,538	834,110
Freight forwarding and shipping agency costs	20,144,014	19,302,233
Terminal operating and other direct costs	1,694,699	1,409,379
Cost of inventories sold	6,135,121	3,882,304
Container depreciation and other direct costs	852,281	732,541
Business tax	405,856	460,276
Total	90,546,817	89,586,526
Selling, administrative and general expenses		
Administrative staff costs	3,421,261	3,623,067
Depreciation and amortisation	298,256	316,098
Rental expense	203,965	193,605
Office expense	186,781	216,511
Transportation and travelling expense	187,143	201,490
Entertainment expense	227,150	228,075
Legal and professional fees	116,910	107,345
Auditors' remuneration	48,321	49,762
Telecommunication and utilities	98,709	91,464
Repair and maintenance expense	72,669	67,222
Others	375,972	446,689
Total	5,237,137	5,541,328

Notes:

(a) It included depreciation and amortisation expenses of RMB3,529,131,000 (2011: RMB3,273,101,000) and operating lease rentals of RMB10,552,330,000 (2011: RMB16,044,854,ooo) respectively.

(b) Voyage costs mainly comprised bunkers, port charges and commission expenses.

(c) Vessel costs mainly comprised operating lease rentals and depreciation of vessels.

Notes to the Consolidated Financial Statements

28 Finance income and costs

	2012 RMB'000	2011 RMB'000
Finance income		
Interest income from:		
– deposits with COSCO Finance (note 17(b))	**318,102**	161,165
– loans to a jointly controlled entity and an associate (note 13)	**9,287**	9,552
– banks	**528,126**	745,663
	855,515	916,380
Finance costs		
Interest expenses on:		
– bank loans	**(1,487,344)**	(981,730)
– other loans wholly repayable within five years	**(44,682)**	(21,464)
– loans with COSCO Finance (notes 22 and 25)	**(8,229)**	(5,578)
– finance lease obligations	**(8,216)**	(9,353)
– notes (note 22(c))	**(875,391)**	(672,267)
Fair value loss on derivative financial instruments	**(33,979)**	(36,063)
Fair value adjustment of notes attributable to interest rate risk	**17,674**	39,724
	(16,305)	3,661
	(2,440,167)	(1,686,731)
Amortised amount of transaction costs on long-term borrowings	**(79,905)**	(66,001)
Amortised amount of discount on issue of notes	**(953)**	(1,028)
Other incidental borrowing costs and charges	**(79,846)**	(69,157)
Less: amount capitalised in construction in progress (note 6(e))	**120,914**	89,226
	(2,479,957)	(1,733,691)
Net related exchange gain	**37,469**	1,199,103
Net finance (costs)/income	**(1,586,973)**	381,792

29 Income tax expenses

	2012 RMB'000	2011 RMB'000
Current income tax (note a)		
– PRC enterprise income tax	**444,623**	384,135
– Hong Kong profits tax	**4,922**	4,405
– Overseas taxation	**93,330**	74,431
Under provision in prior years	**3,322**	1,675
	546,197	464,646
Deferred income tax (note 15)	**193,899**	566,390
	740,096	1,031,036

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 46% (2011: 12% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% (2011: 12% to 24%).

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(b) The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2012 RMB'000	2011 RMB'000
Loss before income tax	**(7,397,345)**	(7,854,229)
Less: Share of profits less losses of jointly controlled entities and associates	**(1,710,656)**	(2,059,991)
	(9,108,001)	(9,914,220)
Calculated at a tax rate of 25% (2011: 25%)	**(2,277,000)**	(2,478,555)
Effect of different tax rates of domestic and overseas entities	**1,338,299**	18,197
Income not subject to income tax	**(578,612)**	(769,931)
Expenses not deductible for taxation purposes	**723,897**	635,901
Utilisation of previously unrecognised tax losses	**(32,763)**	(10,579)
Tax losses not recognised	**1,526,383**	3,131,553
Reversal of previously recognised income tax assets/(liabilities)	**219,992**	(108,562)
Withholding income tax upon distribution of profits and payment of interest	**92,378**	135,944
Other temporary differences not recognised	**(275,800)**	475,393
Under provision in prior years	**3,322**	1,675
Income tax expenses	**740,096**	1,031,036

29 Income tax expenses (Continued)

(c) The tax credit relating to components of other comprehensive income are as follows:

	2012			2011		
	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000
Available-for-sale financial assets						
– fair value gains/(losses)	19,502	113	19,615	(193,943)	34,985	(158,958)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	57,936	–	57,936	(43,057)	–	(43,057)
Release of reserves upon-disposal of a jointly controlled entity	–	–	–	(44,738)	–	(44,738)
Release of exchange reserve for conversion of a jointly controlled entity to a subsidiary	–	–	–	(77,471)	–	(77,471)
Currency translation differences	(16,762)	–	(16,762)	(1,738,014)	–	(1,738,014)
Other comprehensive income for the year	60,676	113	60,789	(2,097,223)	34,985	(2,062,238)
Deferred tax (note 15)		113			34,985	
Total		113			34,985	

(d) Business tax and value added tax

Pursuant to the Notice on Issuance of Business Tax to Value Added Tax Transformation Pilot Program ("Pilot Program") and relevant further regulations, during the year 2012, revenues derived from container shipping, dry bulk business, freight forwarding and shipping agencies, logistics services and terminal operations provided by some subsidiaries of the Group located in the selected PRC cities under Pilot Program are subject to value added tax at rates of 0%, 6% and 11% respectively.

Before the launch of Pilot Program, such revenues are subject to business tax at rates of 3% and 5% respectively. The related business tax is included in the cost of services and inventories sold.

30 Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB590,882,000 (2011: RMB24,876,000).

31 Dividends

The Board of Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2012 and the year ended 31 December 2011.

32 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2012	2011
Loss attributable to equity holders of the Company (RMB)	**(9,559,164,000)**	(10,495,295,000)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic loss per share (RMB)	**(0.9357)**	(1.0273)

(b) Diluted

Diluted loss per share is calculated based on the loss attributable to equity holders of the Company after adjusting the effect for assumed issuance of shares on exercise of share options of a subsidiary and the number of ordinary shares in issue during the year.

	2012	2011
Loss attributable to equity holders of the Company (RMB)	**(9,559,164,000)**	(10,495,295,000)
Adjustment on the effect of dilution	**(66,318)**	(210,675)
	(9,559,230,318)	(10,495,505,675)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Diluted loss per share (RMB)	**(0.9357)**	(1.0273)

33 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2012 **RMB'000**	2011 RMB'000
Wages, salaries and crew expenses (including bonus and share-based payments)	**5,768,269**	5,670,893
Housing benefits (note a)	**420,086**	341,064
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 23(a))	**74,602**	340,416
– defined contribution plans (note b)	**792,212**	720,181
Welfare and other expenses	**1,770,443**	1,442,017
	8,825,612	8,514,571

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 30% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2012 and 2011 to reduce future contributions.

Contributions totalling RMB202,005,000 (2011: RMB344,828,000) payable to various retirement benefit plans as at 31 December 2012 are included in trade and other payables.

(c) The staff costs disclosed above do not include staff quarters provided to the Directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 34 of the Consolidated Financial Statements.

34 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2012 RMB'000	2011 RMB'000
Independent non-executive directors		
– fees	**2,234**	1,980
Executive and other non-executive directors		
– fees	**111**	475
– salaries and allowances	**2,100**	5,396
– benefits in kind	**(4,247)**	(32,864)
	(2,036)	(26,993)
Supervisors		
– salaries and allowances	**2,371**	1,948
– benefits in kind	**(971)**	(9,647)
– retirement benefit contributions	**66**	57
– others	**1**	1
	1,467	(7,641)
Senior management		
– salaries and allowances	**10,910**	5,674
– benefits in kind	**(147)**	(9,930)
– retirement benefit contributions	**208**	182
– others	**39**	28
	11,010	(4,046)
	12,675	(36,700)

Benefits in kind for the year ended 31 December 2012 disclosed above mainly included amortised cost and change in fair value with a net credit of RMB5,893,000 (2011: RMB53,345,000) on outstanding SARs not yet exercised by Directors, supervisors and senior management (note 20(b)).

34 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' and chief executive's emoluments

Details of the remuneration of each of the Directors and the chief executive are set out below:

	Year ended 31 December 2012			
Name of Directors and chief executive	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr.Wei Jiafu	–	600	(1,335)	(735)
Mr.Ma Zehua	–	540	–	540
Mr.Li Yunpeng	111	–	(886)	(775)
Ms.Sun Yueying	–	–	(886)	(886)
Mr.Sun Jiakang	–	–	(737)	(737)
Mr.Xu Minjie	–	–	(105)	(105)
Mr.Ye Weilong	–	–	(180)	(180)
Mr.Zhang Liang	–	–	(218)	(218)
Mr.Jiang Lijun	–	960	99	1,059
Mr.Teo Siong Seng	487	–	–	487
Mrs.Fan Hsu Lai Tai Rita	791	–	–	791
Mr.Kwong Che Keung Gordon	484	–	–	484
Mr.Peter Guy Bowie	472	–	–	472
	2,345	2,100	(4,248)	197

Notes:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. Mr. Wei Jiafu and Mr. Ma Zehua waived the emoluments during the second half of year 2012.

(ii) Mr. Wei Jiafu is the chief executive.

(iii) Remunerations of Mr.Li Yunpeng (Director), Mrs.Fan Hsu Lai Tai Rita (Director), Mr.Gao Ping (Supervisor) set out above included the remunerations as disclosed in the annual report of COSCO Pacific for the year ended 31 December 2012.

(iv) During the year, Mr. Zhang Liang resigned as Director; Mr. Li Yunpeng, Mr. Jiang Lijun and Mr. Ye Weilong were appointed as Directors.

34 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2011			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr. Wei Jiafu	—	1,200	(7,076)	(5,876)
Mr. Zhang Fusheng	—	720	(6,270)	(5,550)
Mr. Ma Zehua	—	192	—	192
Mr. Zhang Liang	—	859	(1,383)	(524)
Mr. Xu Lirong	204	—	(4,139)	(3,935)
Ms. Sun Yueying	82	—	(4,690)	(4,608)
Mr. Sun Jiakang	65	130	(3,888)	(3,693)
Mr. Xu Minjie	45	2,295	62	2,402
Mr. Chen Hongsheng	79	—	(5,480)	(5,401)
Mr. Teo Siong Seng	416	—	—	416
Mrs. Fan Hsu Lai Tai Rita	609	—	—	609
Mr. Kwong Che Keung Gordon	299	—	—	299
Mr. Peter Guy Bowie	293	—	—	293
Ms. Li Boxi	117	—	—	117
Mr. Hamilton Alexander Reid	123	—	—	123
Mr. Cheng Mo Chi	123	—	—	123
	2,455	5,396	(32,864)	(25,013)

34 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2012	2011
Directors	**–**	1
Employees	**5**	4
	5	5

The details of emoluments paid to the five highest paid individuals, have included no (2011: one) Directors of the Company as disclosed in note 34(b) above. Details of emoluments paid to the remaining five (2011: four) highest paid non-director individuals for the year ended 31 December 2012 are as follows:

	2012 RMB'000	2011 RMB'000
– Salaries and allowances	**12,596**	7,381
– Benefits in kind	**767**	190
– Discretionary bonuses	**2,534**	1,807
– Retirement benefit contributions	**33**	29
– Others	**12**	10
	15,942	9,417

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2012	2011
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,030,000 to RMB2,430,000)	**1**	3
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,430,000 to RMB2,840,000)	**3**	1
HK$6,500,001 to HK$7,000,000 (equivalent to approximately RMB5,270,000 to RMB5,680,000)	**1**	–
	5	4

35 Notes to the consolidated cash flow statement

(a) Reconciliation of loss before income tax to cash used in from operations:

	2012 RMB'000	2011 RMB'000
Loss before income tax	**(7,397,345)**	(7,854,229)
Depreciation		
– property, plant and equipment	**3,662,893**	3,432,158
– investment properties	**39,736**	26,332
Amortisation		
– intangible assets	**47,883**	51,262
– leasehold land and land use rights	**65,227**	66,602
– concession	**11,648**	12,845
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	**80,858**	67,029
Dividend income from listed and unlisted investments	**(17,905)**	(20,273)
Share of profits less losses of		
– jointly controlled entities	**(710,170)**	(714,750)
– associates	**(1,000,486)**	(1,345,241)
Gain on disposal of available-for-sale financial assets	**—**	464
Interest expenses	**2,319,253**	1,597,505
Interest income	**(855,515)**	(916,380)
Net gain on disposal of property, plant and equipment	**(147,904)**	(167,598)
Net gain on disposal of a jointly controlled entity and associates	**(13)**	(83,202)
Net gain on disposal of a subsidiary	**—**	(5)
Other incidental borrowing costs and charges	**79,846**	69,157
Provision for onerous contracts	**1,372,227**	1,426,411
Net exchange gain	**(64,409)**	(759,237)
Operating loss before working capital changes	**(2,514,176)**	(5,111,150)
Decrease/(increase) in inventories	**748,001**	(1,225,432)
Increase in trade and other receivables	**(2,021,732)**	(374,338)
(Decrease)/increase in trade and other payables	**(373,556)**	2,627,667
Decrease in other tax payable	**(108,942)**	(10,934)
Decrease/(increase) in finance lease receivables	**12,828**	(76,805)
Decrease in provisions and other liabilities	**(1,090,595)**	(1,030,477)
Changes on financial instruments at fair value through profit or loss	**—**	(61,024)
Increase in restricted bank deposits	**(62,225)**	—
Cash used in operations	**(5,410,397)**	(5,262,493)

35 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

During the year, 35,636,349 and 38,632,080 new shares were issued by COSCO Pacific for the settlement of 2011 final and 2012 interim scrip dividends respectively, which resulted in an increase of non-controlling interests by RMB 216,927,000 (note 21).

In 2011, the Group accounted for COSCO Port (Nansha) Limited ("CP Nansha") and Tianjin Tianrong International Cargo Transportation Development Co., Ltd. ("Tianjin Tianrong") as subsidiaries from 1 January 2011 onwards as the Group has the power to govern the financial and operating policies of CP Nansha and Tianjin Tianrong, the then jointly controlled entities of the Group (note 21).

36 Contingent liabilities and financial guarantee

(a) During the year, the Group was involved in a number of claims and lawsuits, including but not limited to, the claims and lawsuits arising from loss of goods in certain of its logistics business, damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts and non-payment of fees of Piraeus Container Terminal.

As at 31 December 2012, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2012.

(b) Guarantee

	The Group	
	2012	2011
	RMB'000	RMB'000
Bank guarantee to an associate at face value	**154,141**	177,684

A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and it has not been recognised at the balance sheet date accordingly.

As at 31 December 2012, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB13,239,328,000 (2011: RMB806,011,000).

37 Commitments

(a) Capital commitments

Group

	2012 RMB'000	2011 RMB'000
Authorised but not contracted for		
Containers	**2,005,068**	4,773,348
Terminal equipment	**1,611,407**	1,178,533
Buildings	**1,516,775**	1,720,232
Other property, plant and equipment	**57,056**	6,429
Intangible assets	**23,750**	52,389
Investments in terminals and other company	**211,869**	500
	5,425,925	7,731,431
Contracted but not provided for		
Containers	**596,431**	55,007
Containers vessels and dry bulk vessels	**9,974,120**	16,185,423
Terminal equipment	**2,186,191**	2,251,255
Buildings	**323,784**	251,025
Other property, plant and equipment	**48,413**	64,498
Investments in terminals and other company	**2,814,740**	2,581,296
Intangible assets	**10,615**	40,388
	15,954,294	21,428,892

Company

As at 31 December 2012 and 2011, the Company has no significant capital commitments.

Amounts of capital commitments relating to the Group's interest in the jointly controlled entities not included in the above are as follows:

	2012 RMB'000	2011 RMB'000
Authorised but not contracted for	**39,492**	90,846
Contracted but not provided for	**629**	53,684
	40,121	144,530

37 Commitments (Continued)

(b) Operating lease arrangement – where the Group is the lessor

As at 31 December 2012, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2012 RMB'000	2011 RMB'000
Containers vessels and dry bulk vessels		
– not later than one year	**648,398**	1,435,906
– later than one year and no later than five years	**405,340**	467,442
– later than five years	**145,698**	238,009
	1,199,436	2,141,357
Containers (note)		
– not later than one year	**787,083**	696,092
– later than one year and no later than five years	**1,740,669**	1,613,534
– later than five years	**297,266**	571,202
	2,825,018	2,880,828
Investment properties and other property, plant and equipment		
– not later than one year	**112,513**	106,948
– later than one year and no later than five years	**190,622**	219,440
– later than five years	**16,807**	10,878
	319,942	337,266
	4,344,396	5,359,451

Note: The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

37 Commitments (Continued)

(c) Operating lease commitments – where the Group is the lessee

As at 31 December 2012, the Group had future aggregate minimum payments under non-cancellable operating leases/time charter arrangements as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Containers vessels and dry bulk vessels				
– not later than one year	**9,290,910**	12,833,316	**–**	–
– later than one year and no later than five years	**20,509,880**	25,683,401	**–**	–
– later than five years	**13,636,924**	17,487,537	**–**	–
	43,437,714	56,004,254	**–**	–
Concession of Piraeus Port (note 16(a))				
– not later than one year	**250,666**	231,243	**–**	–
– later than one year and no later than five years	**1,239,628**	1,125,057	**–**	–
– later than five years	**24,842,552**	25,082,585	**–**	–
	26,332,846	26,438,885	**–**	–
Containers				
– not later than one year	**791,626**	587,928	**–**	–
– later than one year and no later than five years	**2,097,680**	1,552,884	**–**	–
– later than five years	**40,122**	60,937	**–**	–
	2,929,428	2,201,749	**–**	–
Leasehold land, buildings and other property, plant and equipment				
– not later than one year	**259,711**	242,850	**37,416**	34,408
– later than one year and no later than five years	**367,717**	290,863	**38,375**	–
– later than five years	**126,118**	17,865	**–**	–
	753,546	551,578	**75,791**	34,408
	73,453,534	85,196,466	**75,791**	34,408

38 Significant related party transactions

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

COSCO itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), "Related Party Disclosures", issued by HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure upon the early adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Consolidated Financial Statements.

In addition to the related party information and transactions disclosed elsewhere in the Consolidated Financial Statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

	2012	2011
	RMB'000	RMB'000
Transactions with COSCO		
Revenues		
Management fee income	**17,307**	11,827
Expenses		
Sub-charter expenses	**121,285**	123,995
Rental expenses	**34,408**	43,013
Others		
Consideration paid for acquisition of subsidiaries	**–**	86,363

38 Significant related party transactions (Continued)

	2012 RMB'000	2011 RMB'000
Transactions with fellow subsidiaries and the related entities of COSCO (including jointly controlled entities and associates)		
Revenues		
Container shipping income	342,192	203,169
Freight forwarding and shipping agency income	10,657	6,688
Charterhire income	—	50,259
Vessel services income	23,428	28,613
Crew service income	93,074	101,054
Vessel management income	2,957	3,429
Expenses		
Vessel costs		
Sub-charter expenses	347,685	355,453
Charterhire expenses	39,273	35,999
Vessel services expenses	564,124	482,231
Crew expenses	46,707	45,235
Voyage costs		
Bunker costs	17,149,961	14,827,817
Port charges	822,403	829,883
Equipment and cargo transportation costs		
Commission and rebates	130,115	149,371
Cargo and transhipment and equipment and repositioning expenses	23,767	28,185
Freight forwarding expenses	84,809	106,796
Logistics related expenses	148,498	79,598
General service expenses	49,182	59,172
Management fee expenses	10,851	10,817
Rental expenses	53,293	64,535
Electricity and fuel expenses	1,787	8,299
Others		
Installments paid for ship building contracts	294,994	1,196,898

38 Significant related party transactions (Continued)

	2012 RMB'000	2011 RMB'000
Transactions with jointly controlled entities of the Group		
Revenues		
Charterhire income	144,299	383,322
Management fee and service fee income	25,434	26,885
Crew service income	20,827	19,035
Expenses		
Vessel costs		
Charterhire expenses	–	32,452
Voyage costs		
Port charges	794,250	748,595
General service expenses	10,865	32,862
Rental expenses	4,364	3,621
Others		
Proceeds from disposal of a vessel	–	23,250
Transactions with associates of the Group		
Revenues		
Crew service income	12,400	10,000
Handling storage and transportation income	198	8,254
Expenses		
Vessel costs		
Port charges	345,916	214,768
Container freight charges	6,913	7,466
Others		
Purchase of containers	1,423,634	1,390,502

38 Significant related party transactions (Continued)

	2012 RMB'000	2011 RMB'000
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Crew service income	–	10,995
Terminal handling and storage income	245,095	145,335
Refund of port construction fee	–	6,697
Expenses		
Container handling and logistics services fee	81,374	76,594
Electricity and fuel expenses	44,403	55,857
Others		
Port construction fee and high-frequency communication fee	1,267	38,084

Notes: These transactions were conducted either (i) based on terms as governed by the nine master agreements and subsisting agreements entered into between the Group and COSCO Group, or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

Balances with related parties

Other than those disclosed elsewhere in the Consolidated Financial Statements, the outstanding balance with related entities at year end are as follows:

	2012 RMB'000	2011 RMB'000
Bank deposits		
– state-owned banks (note)	23,631,614	24,888,859
Loans		
– state-owned banks (note)	36,746,481	33,874,360

Note: The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates. Interest income from deposits with state-owned banks is RMB350,363,000 (2011: RMB582,280,000), and interest expenses on loans from state-owned banks is RMB398,011,000 (2011: RMB488,562,000).

Notes to the Consolidated Financial Statements

39 Significant subsequent events

(a) On 31 January 2013, COSCO Pacific Finance (2013) Company Limited, a wholly owned subsidiary of COSCO Pacific, issued the notes with principal amount of US$300,000,000 (equivalent to approximately RMB1,883,850,000). The notes are guaranteed by COSCO Pacific, carry a fixed interest yield of 4.375% per annum and will mature in 2023. The net proceeds from the issuance of the notes will be used primarily for the capital investment for the expansion of the Group's terminal and container leasing business, the repayment of the Group's existing indebtedness and general corporate purposes.

(b) The Company announced the proposed disposal of 100% equity interests (the "Proposed Disposal") in COSCO Logistics Co., Ltd by the Company to COSCO on 11 March 2013 and 27 March 2013. The Proposed Disposal is subject to Shareholders' approval on the Extraordinary General Meeting of the Company on 26 April 2013.

40 Particulars of principal subsidiaries, jointly controlled entities and associates

At 31 December 2012, the Group had the following principal subsidiaries, jointly controlled entities and associates which, in the opinion of the directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2012, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2012	2011
Capital held directly						
China COSCO Bulk Shipping (Group) Company Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB25,968,025,395	**100%**	100%
COSCO Container Lines Company Limited	PRC/Worldwide	Container transportation	Limited liability company	RMB6,088,763,082	**100%**	100%
COSCO Pacific Investment Holdings Limited	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	**100%**	100%
COSCO Logistics Co., Ltd	PRC	Freight forwarding, warehousing, deport and cargo terminal service	Limited liability company	RMB3,183,029,851	**100%**	100%
Capital held indirectly						
COSCO Bulk Carrier Co., Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB6,290,000,000	**100%**	100%
Qingdao Ocean Shipping Co., Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB3,214,000,000	**100%**	100%
Shenzhen Ocean Shipping Company Limited	PRC	Vessel owning and investment holding	Limited liability company	RMB1,195,709,081	**100%**	100%
Prosperity Investment 2011 Limited	British Virgin Islands	Investment holding	Limited liability company	US$100,000	**100%**	100%

40 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2012	2011
Capital held indirectly (Continued)						
Shanghai Pan Asia Shipping Company Limited	PRC	Container transportation	Limited liability company	RMB1,259,983,844	**100%**	100%
Tianjin Binhai COSCO Container Logistics Co., Ltd.	PRC	Container stack, cargo storage and cargo Transportation	Limited liability company	RMB190,000,000	**56.10%**	56.10%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	Limited liability company	RMB320,000,000	**100%**	100%
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	**100%**	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	**100%**	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	**100%**	100%
Shanghai COSCON Development Co., Ltd.	PRC	Container stack, cargo storage and cargo transportation	Limited liability company	RMB403,000,000	**100%**	100%
COSCO Container Line Agencies Limited	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	**100%**	100%
COSCO Container Lines Europe GmbH	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	**100%**	100%
COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	**100%**	100%
COSCO Container Lines Americas, Inc.	United States of America	Shipping agency	Limited liability company	1,000 ordinary shares of US$0.01 each	**100%**	100%
COSCO (Cayman) Mercury Co., Ltd.	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	**100%**	100%
Five Star Shipping & Agency Company Pty Limited	Australia	Shipping agency, freight forwarding and other international sea transport services	Limited liability company	AUD100,000	**100%**	100%
Tianjin Ocean Shipping Co., Ltd.	PRC	Bulk cargo transportation and investment holding	Limited liability company	RMB868,581,699	**100%**	100%
COSCO Bulk Carrier Holdings (Cayman) Limited	Cayman Islands/ Singapore	Investment holding	Limited liability company	US$50,000	**100%**	100%
COSCO Europe Bulk Shipping GmbH	Hamburg, Germany/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR500,000	**50%**	50%

40 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2012	2011
Capital held indirectly (Continued)						
COSCO Bulk Carrier Americas Inc.	Delaware, America/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	US$ 500,000	**51%**	51%
COSCO Oceania Chartering Pty Ltd	New South Wales, Australia/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD 20,002	**51%**	51%
COSCO (Qingdao) Investment Holding Co., Ltd.	PRC	Business management, house leasing, Investment holding	Limited liability company	RMB239,061,700	**100%**	100%
Golden View Investment Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	**100%**	100%
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Provision of agency and management services	Limited liability company	3 ordinary shares of HK$1 each and 20,000,000 issued deferred shares of HK$1 each	**100%**	100%
COSCO Pacific Limited	Bermuda	Investment holding	Limited liability company	2,786,052,002 shares of HK$ 0.1 each (2011: 2,711,783,573 shares of HK$ 0.1 each)	**43.21%**	42.71%
COSCO Investments Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	**100%**	100%
Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	**30.87%**	30.51%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	US$36,800,000	**22.03%**	21.78%
Yangzhou Yuanyang International Ports Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$61,500,000	**24.02%**	23.74%
Jinjiang Pacific Ports Development Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	**34.57%**	34.17%
Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB1,396,850,000	**30.25%**	29.90%
Piraeus Container Terminal S.A.	Greece	Operation of container terminal	Limited liability company	EURO34,500,000	**43.21%**	42.71%
COSCO Ports (Nansha) Limited	British Virgin Islands/ PRC	Investment in a container terminal	Limited liability company	US$10,000	**28.56%**	28.23%
Florens Container Holdings Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	22,014 ordinary shares of US$1 each	**43.21%**	42.71%
Zhen Sea Shipping Company limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	500,000 ordinary shares of US1$ each	**100%**	100%
Bright Sea Management Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	**100%**	100%
COSCO Diamond Limited	Hong Kong	Treasury	Limited liability company	2,000 shares of US$1 each	**100%**	100%

40 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2012	2011
Capital held indirectly (Continued)						
COSCO Finance (2011) Limited	British Virgin Islands	Financing	Limited liability company	10,000 shares of US$1 each	100%	100%
COSCO International Air Freight Co., Ltd	PRC	Air freight forwarding	Limited liability company	RMB48,417,396	100%	100%
China Ocean Shipping Agency Company Limited	PRC	Shipping agency and freight forwarding	Limited liability company	RMB113,372,000	100%	100%
COSCO Logistics (Shanghai) Distribution Co.,Ltd.	PRC	Logistics	Limited liability company	RMB13,000,000	100%	100%
COSCO Logistics Warehousing & Distribution Co., Ltd.	PRC	Logistics	Limited liability company	RMB113,880,675	100%	100%
COSCO Supply Chain Management Co., Ltd.	PRC	Logistics	Limited liability company	RMB63,150,000	100%	100%
COSCO Chemical Logistics (Shanghai) Co., Ltd.	PRC	Logistics	Limited liability company	RMB81,701,621	100%	100%
COSCO Logistics (Guangzhou) Heavy Transportation Co.,Ltd.	PRC	Logistics	Limited liability company	RMB125,000,000	88%	88%
COSCO Logistics (Hong Kong) Company Limited	PRC	Logistics	Limited liability company	HK$38,789,500	100%	100%
COSCO Logistics (Zhoushan) Co., Ltd.	PRC	Logistics and warehousing	Limited liability company	RMB20,000,000	55%	55%
COSCO Logistics (Luzhou) Co., Ltd.	PRC	Warehousing	Limited liability company	RMB10,000,000	80%	80%

Notes to the Consolidated Financial Statements

40 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities

As at 31 December 2012, the Company had indirect interests in the following principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2012	2011
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB624,000,000	**8.64%**	8.54%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	**12.96%**	12.81%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container erminal	Sino-foreign joint venture	US$308,000,000	**8.64%**	8.54%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB1,246,450,000	**8.64%**	8.54%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	**12.96%**	12.81%
Cheer Dragon Investment Limited	Hong Kong	Investment in terminal	Limited liability company	3 ordinary shares of HK$1 each	**14.40%**	NA
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD65,900,000	**21.18%**	20.93%
C & I Shipholding S.A.	Panama	Vessel owning and chartering	Limited liability company	US$15,600,000	**60%**	60%
COSCO Development Shipping Co., Ltd.	PRC	Vessel owning and chartering	Limited liability company	RMB200,000,000	**17.97%**	17.97%
Tianjin YuanHua Shipping Co., Ltd	PRC	Cargo transportation and vessel chartering	Limited liability company	RMB 360,000,000	**56.17%**	56.17%
Shanghai Ocean Hotel Co., Ltd.	PRC	Hotel operation	Limited liability company	RMB313,720,000	**58.07%**	58.07%
Tangshan COSCO Container Logistics Co., Ltd.	PRC	Container stack, cargo storage, and cargo transportation	Limited liability company	RMB170,000,000	**51%**	51%

40 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

As at 31 December 2012, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2012	2011
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	**38.25%**	38.25%
China Ocean Shipping Agency Tianjin Company	PRC	Shipping Agency	Limited liability company	RMB101,220,000	**40%**	40%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	Limited liability company	RMB2,662,396,051 (1,231,915,542 "A" shares and 1,430,480,509 "H" shares), all of RMB1 each (2011: RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each)	**9.42%**	9.31%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB730,000,000	**8.64%**	8.54%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	Limited liability company	1,856,250 ordinary shares of US$ 100 each	**8.64%**	8.54%
Dawning Company Limited	British Virgin Islands/ PRC	Investment holding	Limited liability company	200 "A" shares of US $1 each and 800 "B" shares of US $1 each	**8.64%**	8.54%
Wattrus Limited	British Virgin Islands/ PRC	Investment holding	Limited liability company	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**2.22%**	2.19%
Sigma Enterprises Ltd.	British Virgin Islands/ PRC	Investment holding	Limited liability company	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**7.12%**	7.04%

Notes:

(i) The English names of certain subsidiaries, jointly controlled entities and associates referred to in the Consolidated Financial Statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some jointly controlled entities as disclosed above are more than 50%, the Group does not have unilateral control over these jointly controlled entities.

Five Year Financial Summary

For the year ended 31 December 2012

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**88,329,138**	84,639,178	96,487,636	68,462,154	131,838,916
(Loss)/profit before income tax	**(7,397,345)**	(7,854,229)	9,209,589	(6,213,500)	15,670,552
Income tax expenses	**(740,096)**	(1,031,036)	(1,195,844)	(450,586)	(2,973,856)
(Loss)/profit for the year	**(8,137,441)**	(8,885,265)	8,013,745	(6,664,086)	12,696,696
(Loss)/profit attributable to:					
- Equity holders of the Company	**(9,559,164)**	(10,495,295)	6,785,497	(7,467,812)	11,606,134
- Non-controlling interests	**1,421,723**	1,610,030	1,228,248	803,726	1,090,562
	(8,137,441)	(8,885,265)	8,013,745	(6,664,086)	12,696,696

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**165,207,909**	157,458,885	150,981,892	137,741,303	120,010,202
Total liabilities	**123,510,388**	(107,288,432)	(88,681,037)	(85,156,488)	(58,103,803)
Total equity	**41,697,521**	50,170,453	62,300,855	52,584,815	61,906,399

Notes:

(a) The financial figures for the year 2011 and 2012 were extracted from the 2012 Consolidated Financial Statements.

(b) The financial figures for the year 2007 to 2009 were extracted from the 2010 annual report. No retrospective adjustments for the common control combinations in 2009 were made on the financial figures for the year 2007 to 2008. No retrospective adjustments for adoption of HKFRS 1 (Amendment) and the common control combinations in 2011 were made on the financial figures for the year 2007 to 2009.

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